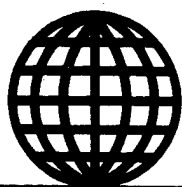


JPRS-CAR-89-089  
23 AUGUST 1989



**FOREIGN  
BROADCAST  
INFORMATION  
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# ***JPRS Report***

## **China**

**1988-1989 SELECTED PROVINCIAL  
ECONOMIC REPORTS**

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# China

## 1989 Selected Provincial Economic Reports

JPRS-CAR-89-089

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For previous compilation of some provincial economic reports for 1988, see JPRS-CAR-89-054 of 26 May 1989, and JPRS-CAR-89-081 of 1 August 1989. Other 1988 provincial economic reports have been published in the regular CHINA series.

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## Beijing's Implementation Plan for 1988, Draft of 1989 Plan

Beijing BEIJING RIBAO in Chinese 5 May 89 pp 2, 4

["Report on Beijing Municipality's Implementation of the 1988 Plan and Draft of the 1989 Economic and Social Development Plans (Excerpt)"]—presented at the 2d Session of the Beijing Municipality 9th People's Congress on 20 April 1989 by Wang Jun 3769 6511, director of Beijing Municipality's Planning Committee]

[Text] Fellow delegates:

On behalf of the municipal government, I am presenting before this congress a report on Beijing's implementation of the 1988 plan and the proposal of the 1989 economic and social development plans for your deliberation.

### I. We Stabilized the Economy and Implemented Thorough Reforms and Accomplished the 1988 Economic and Social Development Plans

In 1988, Beijing implemented diligently the general economic policy of "further stabilizing the economy, further implementing thorough reforms, and letting reform rule the situation." Since the fourth quarter, we have made improvements and rectifications in accordance with the spirit of the 3d Plenary Session of the 13th CPC Central Committee. We accomplished the economic and social undertakings, and with the concerted efforts of people of all nationalities in Beijing, we managed to fulfill and even overfulfill the planned missions and targets approved by the first session of the municipal 9th People's Congress.

*A. We had a bumper harvest, and the supply of grain and the main nonstaple foods continued to increase.*

Upon implementing the responsibility system of linking remuneration to output, the suburban villages began to promote fairly large scale operations to the degree suitable to local conditions, thus facilitating continued comprehensive economic development. We had another bumper grain harvest on top of several years' continuous high yield. Total grain production topped 2,346,000 tons, surpassing the plan by 24,600 tons. Output of all of the main nonstaple foods exceeded the plan. Seeding area for vegetable crops increased, and 1.3 million tons of vegetables were commercially available in the market. This is 124 percent completion of the plan and 5.2 percent more than the previous year's supply. Milk production topped 18,000 tons, 103 percent of the plan and an increase of 16.1 percent over the previous year's production. Fresh egg production topped 218,000 tons, exceeding the plan by 63,000 tons and a 29.8 percent increase over the previous year. Freshwater fish production increased 30 percent; preserved and fresh fruits increased 5.7 percent. The slump in live-hog production has ended—last year, we had 1.75 million heads of commercial hogs, and the number of mature sows on hand has doubled compared to the previous year. Town

and township enterprises earned 11.9 billion yuan in gross income, 51 percent higher than the previous year, and generated 1.99 billion yuan in profit tax, 40.2 percent more than the previous year. District and county foreign economic and trade made huge progress. Last year, 98 projects utilizing foreign funds were approved. This exceeds the sum total of all projects approved over the previous years. The supply of export goods also increased significantly over the previous year. The peasants' living conditions further improved; the per capita income was 1,063 yuan.

Poverty-relief work in the mountain areas was highly successful. The concerned departments pitched in large sums of money to help the poor, repaired the water supply system and roads in the poor villages, and set up some industrial and agricultural production projects. The overall per capita income has increased, and by general standards, most of the villages are no longer poor, fulfilling the goal of the Seventh 5-Year Plan 2 years ahead of schedule.

*B. Industrial production continued to increase as we adjusted the product-mix and improved economic efficiency.*

Industrial enterprises further improved the contract management responsibility system where the "two guarantees and one link" play the principal role. They made progress in the optimization of the labor composition which enhanced their ability to compete, to adapt to changes, and to digest. They have improved their economic efficiency.

Beijing's 1988 gross value of industrial output [GVIO] was 47.1 billion yuan, 19.2 percent higher than the previous year's (41.8 billion yuan and 17.1 percent if we exclude the village-run industries.) The industrial sector adjusted the product mix in a timely fashion according to changes in market demands. The "three preferences and one bonus"—raw and processed material supply preference, credit fund preference, energy supply preference, and bonus for extra-plan production—policy was extended to products which add to society's effective supply. Special arrangements were made for the production of raw and processed materials, energy, agricultural means of production, the 100 categories of goods in short supply and 100 types of small goods in the market. The production of steel materials increased 11.1 percent; power generating capacity, 5.1 percent; caustic soda, 14.9 percent; cars, 24.3 percent; internal-combustion engines, 31.1 percent; harvest combines, 43.4 percent; plastic materials, 9.4 percent; color TV, 19.4 percent; combination freezer-refrigerators, 76.8 percent; furniture, 22.6 percent.

Economic efficiency in industries also improved. Sales revenues of the locally budgeted, state-run industrial enterprises increased 25.6 percent. They generated 18.9 percent more in profit taxes and delivered 9.8 percent more profit taxes to the higher authorities. Losses incurred by unprofitable enterprises declined last year.

The labor productivity rate of industrial enterprises in the people's ownership system rose 13.1 percent. The combined energy consumption rate of industrial enterprises generating 10,000 yuan in output value fell 8.1 percent. More new products were developed, and some of them were advanced products by domestic and foreign standards.

Transport by rail and highway made new advances. The urban public transportation department surmounted difficulties and opened 5 new routes with passenger transport capacity of 3.37 billion person-times each year. Suburban long-distance travel was improved. Postal and telecommunications services did 340 million yuan of business, 20.8 percent more than the previous year.

Laws were being enacted to govern geological and mine works.

*C. The market was basically stable and prosperous, and the people's everyday essential needs were guaranteed.*

In 1988, the gross retail sales of social goods was 23.43 billion yuan, which is 114.3 percent of the government's budget and 32.7 percent more than the previous year's. Retail sales of all major commodities were higher than the previous year's. Despite two rounds of panic buying during the year, because the municipal government made several studies and took timely and firm measures, and because of the hard work of the staff and workers in the commercial sector, the market was soon stabilized. In order to guarantee ample supply of the people's daily essential goods, despite the tight supply of goods nationwide, Beijing's commercial sector worked hard to get the support of the Ministry of Commerce and the other provinces and cities and made every effort to secure more goods and build a bigger stockpile. State-run commerce played an important role in regulating the market's stockpile. A municipal-level commodity reserve system was set up. The system applied to 34 categories of important commodities critical to the national economy and the people's livelihood and to some commodities that are sensitive to the market. Last year, there was a net increase of more than 8,000 commercial, restaurant, service, and repair network points. The people will find shopping and eating much more convenient. Urban and rural individual economies continued to develop. They played a positive role in enlivening the urban and rural economies and making life more convenient for the people.

*D. Foreign economic and trade transactions entered a new stage.*

The municipal government focused sharply on the area of foreign fund utilization. Last year, 148 foreign-funded enterprises were approved, doubling the previous year's number. Production-oriented projects accounted for 83 percent of all projects, and 66 percent were projects at the district or county level. The use of foreign government and international financial organization loan funds has increased again. The 38 projects approved in 1988 were mainly urban infrastructure construction projects,

such as the Fuxingmen to Bawangfen Subway and the Gaobeidian Sewage Treatment Plant.

Last year, for the first time, foreign exports exceeded the 1 billion mark, topping \$1.02 billion, 13 percent more than planned and 15.4 percent more than the previous year. The export mix was improved. The share of electrical and mechanical export goods increased rather substantially. They already account for 19.5 percent of the total exports.

The tourist business also saw new development. Last year, a total of 1,204,000 tourists came to Beijing. Foreign exchange earning generated by tourism increased 21.7 percent over the previous year and exceeded the government's plan. Tourist handling capacity has increased. Occupancy rate in key tourist hotels remained at over 80 percent.

*E. We curbed the excess increase in fixed asset investments. Some key projects were completed and put into operation.*

In 1988, the municipality implemented with determination the State Council's policy of "four guarantees, three reductions, and one suspension." We sorted out the construction projects carefully and limited the number of new projects. For society as a whole, total investment in fixed assets was 16.3 billion yuan, 19.6 percent more than the previous year but almost 9 percentage points below the 28.2 percent rate of increase in 1987. Local investments in society's fixed assets totalled 9.69 billion yuan, 23.4 percent more than the previous year. The investment composition was adjusted. Out of the local fixed asset investments, investments in urban infrastructure, agriculture, and education have increased.

Key construction projects made good progress. Seven of the state's key projects, including the Beijing Post and Telecommunications Center, the Beijing Supercollider, the Beijing 100,000 line program-controlled telephone project, and the No 1 power generator of the Shijingshan Power Generating Plant, were completed. Municipal-funded key projects included the first phase (of two series) of the No 9 Water Works Plant, the No 2 Heat and Power Plant peak boiler, upgrading of the No 6 oven of the Beijing Coke-Oven Plant, the Zhongguan Village Telephone Bureau construction, the Zizhuyuan telephone project, and some power transmission and transformer projects.

The Asian Games constructions made impressive progress. Construction of the main buildings and other facilities were speeded up. By the end of 1988, 15 competition arenas have been completed.

Last year, 5.98 million square meters of residential housing were completed. We repaired and rebuilt many dilapidated buildings, public and private.

Urban construction in the suburban districts and counties made significant progress. The county towns have



improved their images and are beginning to look more like satellite cities and towns.

*F. Construction of urban infrastructure continued to make progress.*

Last year, 11 main roads were built or basically completed, adding 64.8 kilometers of roadway. After 17 months of very hard work, the "eastern chamber" was broken through. This now plays an important part in easing the traffic problem in the southeastern part of the city. New roads and bridges built in connection with the Asian Games construction are open to traffic. In the city, 14 sections of the roadways and intersections have been widened. The suburban trunk lines, the Jing-Yu Highway, the Jing-Jin-Tang Freeway are under intensive construction. Last year, a net of 113,000 households converted to gas and natural gas, and 6.05 million square meters of central heating and LIANPIAN heating space were added. A net of 33,000 new telephone exchanges were installed, adding 43,000 new telephone customers. They all surpassed the government's plans.

*G. We have created a greener, prettier urban and rural surrounding and have made slight improvements in the environment.*

Last year, we planted 1.94 million trees in and around the city and laid down 1.058 million square meters of green lawn. We planted trees in 112 narrow lanes and along 20 newly built roads and in more than 110 crowded areas. We planted 10 small forests, and together with the existing greenbelt outside of the urban area, we now have 593 hectares of green area. So far, trees are covering 25 percent of the city, up from 22 percent last year. The per capita green area has reached 5.8 square meters, up from 4.94 square meters. Tree planting and afforestation in the suburb was a complete success: 330,000 mu of hillsides have been closed in order to facilitate afforestation, and 1,674,000 trees have been planted around the farms in the flatlands.

The 10 things the municipal government had wanted to do for the people in 1988 with regard to environmental protection were all accomplished. Comprehensive improvements were made in key areas around the Asian Games site. We improved management of the Miyun and Huairou reservoirs, the No 3 and No 8 Water Works Plants, and in the core area of underground well water. We made comprehensive repairs in 4 river channels, set up 4 low-noise small [industrial] zones, treated 454 sources of industrial pollution, moved or suspended operation of 13 factories and workshops which had been polluting the environment and disturbing the residents, and we completed the water conservation through afforestation project in the mountain areas, the sand-control project in the flatlands, and the agricultural preservation project.

General sanitation has further improved, and various projects were completed. Last year, 3.2 million tons of garbage were collected, 220,000 tons more than the

previous year; 1.9 million tons of night soil were disposed, 90,000 tons more than the previous year. Each day, 28.30 million square meters of streets were swept and cleaned, 1.78 million square meters more than the year before.

*H. Educational, scientific and technological, public health, and sports undertakings have all made progress. Family planning has reached a new standard.*

Educational undertakings: We fulfilled or overfulfilled the enrollment plans in the municipal-run schools of all kinds. The restructuring of secondary school education was reinforced. The secondary vocational school to regular high school enrollment ratio has reached 1.38:1. In the city and towns, 85 percent of the junior middle school students went on to senior high schools, an increase of 5 percent compared to the previous year. In recent years, elementary school enrollment has soared. By tapping the elementary schools' potential and by borrowing classrooms and increasing class size and so on, the municipality no longer adopts the "two parttime shifts" system, solving a lot of problems for tens of thousands of families. Preschool education also made progress. In the city and towns, 96.2 percent of children 3 years and older are in preschool.

Educational facilities continued to improve. We completed 8 projects for the institutes of higher education and built more than 60,000 square meters of middle school buildings.

We oriented science and technology toward serving the capital city's economic construction and urban management. The results of many scientific research have been converted to productive energy. Throughout the municipality, more than 3,700 scientific and technological projects have achieved some results, 40 percent more than in the previous year, and among them, 800 were advanced achievements by domestic and international standards. Last year, we completed more projects and got more benefits out of the "spark plan" than ever before. Implementation of the "industrial revitalization plan" was a success too. We launched the scientific and technological development of urban construction and management project. Construction of the new technological property development experimental zone also made progress.

Public health: We reinforced primary-level health and medical care programs and prevented the outbreak and spread of hepatitis and pinkeye. In 1988, urban and rural hospitals had a total of 49,000 beds, and more than 4,000 beds have been added through new constructions and joint-operation arrangements.

Family planning made outstanding progress. In 1988, there were 12,000 fewer births than planned and 15,600 fewer births than a year before.

The cultural, publication, news, radio broadcasting, television and other departments made progress in their

endeavors to implement thorough reforms, enhance spiritual civilization, and increase social benefits. Radio and television broadcast stations upgraded and expanded facilities. Four new district and county cultural and sports centers were opened. With respect to sports, we have added many mass sports activities and increased training of athletes of all types. In many domestic competitions, our athletes have done well and made progress.

*I. We increased financial revenues and reduced spending. We not only balanced the budget but had a small surplus. Financial undertakings continued to develop, and we kept the credit loan scale under control.*

In 1988, the municipality took in 6.81 billion yuan in revenue, 210 million yuan more than budgeted and 4.1 percent more than the previous year based on comparable calibration. Financial expenditure was 5.29 billion yuan, which is 95.5 percent of the budget and 6.6 percent more than the actual spending a year before. We balanced the budget and had a small surplus.

Beijing's People's Bank and others in the financial sector actively gathered funds and adjusted the credit loan composition in a timely fashion. They guaranteed funds for key projects and supported the municipality's steady economic development. The specialized banks worked hard to expand fund sources and reversed the downward savings trend of urban and rural residents which began in August and September. For the year, urban and rural residents' savings increased 1.86 billion yuan and loans increased 6.46 billion yuan, which were within the scope set by the state. Business in the local trust and investment companies, urban credit cooperatives and other financial institutions all went up.

The insurance business continued its rapid development. By increasing the insurance categories, they generated 342 million yuan in income last year, a 37.6 percent increase over the previous year.

*J. As the economy continued to develop, the overall urban and rural living standards also improved.*

In 1988, total wage-related expenditure in the municipality was 12.2 billion yuan, 25.6 percent more than the year before. A sample survey indicates that per capita income of working family reached 1,437 yuan, an increase of 21.6 percent over the previous year. If we discount the increase in living expenses and higher prices, the real increase was 1 percent. Per capita peasant net income increased 16 percent, and if we discount the higher industrial product prices, the real increase was 0.8 percent. Living conditions continued to improve. The per capita living space for city and town residents increased from 6.82 square meters the year before to 7.17 square meters last year. Per capita living space for rural residents has reached 19.2 square meters.

Social welfare undertakings were very successful. Throughout the municipality, 647 nonprofit factories were built, and 90 percent of the handicapped who can

work are employed; their lives are basically secure. The first social welfare institution and children's welfare institution were completed. In the urban districts, all of the 97 neighborhoods have set up welfare service networks. Rural villages and townships built retirement homes, and more than half of those who have moved in are old people who enjoy the "five guarantees."

Beijing Municipality was able to accomplish the above economic and social undertakings in 1988 basically because it implemented diligently the general policy of letting reform rule the situation. Practice taught us that if we rely on the masses of cadres and people, analyze the facts accurately, understand and tackle the situation and problems we face, and if we unite and struggle arduously and implement reforms with determination, we can surmount the difficulties, and the capital's socialist modernization undertakings can continue to forge ahead with steady pace.

In 1988, problems and difficulties which cannot be ignored continued to plague Beijing Municipality's economic life. The main problems in the implementation of the economic and social development projects are: excess rate of increase in industrial production, especially in the processing industry; excess increase in fixed asset investments which exceeded the planned quota; soaring retail sales price index in the market and failure to meet the objective of maintaining basic price stability; and the permanent population in the municipality by year-end has exceeded the 9.99 million quota. These failures are attributable partly to the guiding ideology which stresses quick success, partly to ineffective macroeconomic control, and partly to lack of overall balance in planning. This indicates that, like the rest of the country, Beijing Municipality urgently needs to restore economic order and improve the economic climate. Since the 3d Plenary Session of the 13th CPC Central Committee, the municipal government has proceeded with its improvement and rectification tasks in accordance with the general policy of "improving the economic climate, restoring economic order, and implementing thorough reform." We have made some progress, but we are far from meeting the state's standards. The 1989 economic and social development plans must wrap around our basic assignment of improvement and rectification.

## **II. Make Careful Improvements and Rectifications, Emphasize Structural Adjustments, and Draw Up a Good Plan for 1989**

The basic goals and mission of Beijing Municipality's 1989 economic and social development plans are: to emphasize adjustments to slowly cool the overheated economy while improving the economic climate and restoring economic order; to limit and reduce the scale of investment in fixed assets and restrict the excess increase in consumption funds; to strive for bumper harvest of all crops, maintain moderate industrial growth, and increase and improve effective supply; to ensure that product price increase will be significantly less than last

year's. The economic plans must wrap around and guarantee the realization of the above goals and missions. As we plan ahead, we need to look back and make the plans dovetail.

The macroeconomic control objectives of our 1989 plan are as follows:

While improving economic efficiency, we want to maintain a moderate rate of economic growth. Based on constant prices, gross domestic output value will be 7 percent higher than last year's; the magnitude of increase is 6 percentage points lower than last year's. The gross value of industrial and agricultural output [GVIAO] will increase 9 percent over last year, cutting the magnitude of increase by half. The GVIAO figure includes a 9 percent increase in GVIO (8 percent if we exclude the village-run industries) and 4 percent increase in the gross value of agricultural output [GVAO].

Local investments in society's fixed assets will be limited to under the quota set by the state.

The increase in the retail price index will be significantly less than last year's.

The banks' credit loan volume will be kept under the quota assigned by the state.

The budgeted financial income is 7.08 billion yuan, 4 percent more than last year's; expenditure will be 5.5 billion, a 210 million yuan increase.

The permanent population will be controlled to under 10.15 million, of which mechanical increase is not to exceed 40,000 people.

*A. We are determined to reduce the scope of fixed asset investments and adjust the investment composition properly.*

In order to reduce and limit the overall scale of construction effectively, we must restrict the area of new and resumed constructions in the municipality (include the central government's units in the capital city) to under 21.50 million square meters, mandating bigger reduction than last year. New construction area will be limited to 5.50 million square meters, a 31 percent greater reduction than last year. Resumption of local construction projects will be limited to under 9.43 square meters. For the municipality as a whole, about 10 million square meters of construction work will be finished. The proposed plan estimates that Beijing municipality's local investment in society's fixed assets will be 5.176 billion yuan, 46.6 percent less than last year's actual investment. Out of the total, 3.2 billion yuan will be fixed asset investment made by units in the people's ownership system. This represents a 52.7 percent reduction compared to that of last year.

The fixed asset investment plan conforms to the principle of vigorous reduction and tight control of the scale of investment and proper adjustment of the investment composition. Some projects will be eliminated, others

guaranteed. Investment in basic construction will be in accordance with the state's industrial policy. We will emphasize urban infrastructure and key projects of the agricultural and education departments and will make every effort to provide housing for the staff and workers. With respect to investment in renovations and transformations, besides guaranteeing the state's quota of 15 of the above key projects, we have planned energy-saving projects, raw and processed material and agricultural productions, production of goods that are in short supply in the market and of exports which earn foreign exchange, and for the relocation of factories that pollute the environment and disturb the residents. These projects are in accordance with the state's industrial policy and structural adjustment requirement.

In order to accomplish our objective of reducing the scope of construction:

1) We will establish a stringent responsibility system, which will be enforced at every level and monitored carefully, and we will take control of the scope of society's investment in fixed assets.

2) We will thoroughly sort out all the projects already in progress and examine the results. Projects that have been halted will indeed be cancelled and work on suspended projects will not be resumed within the next 2 years.

3) Except for the several essential and unavoidable projects—such as agriculture, forestry, water conservancy projects, chemical fertilizer production, education, urban infrastructure, exports to earn foreign exchange, projects which involve foreign businesses and which have already entered into contracts and are ready to go into construction, and urgently needed housing projects—which can still apply and receive permission to commence work, no other new projects will be approved this year.

4) Construction plans will be coordinated with urban planning and the dispersed-grouping setup will be maintained. Land use in urban and rural constructions will be approved sparingly and kept below the 43,000 mu quota set by the state. We are determined to control the excess construction scale and deal with the urban expansion problem.

*B. We will control the excess increase in consumption demand and adjust and guide consumptions in a planned and systematic way.*

We advocate the social tendency of hard work and thrift for everybody, from the municipal government down. We oppose and reject extravagance and opulence. We are determined to tighten our belts for the few years.

To control the excess increase in consumption funds, we are taking the following measures:

1) We will set quotas and continue to restrict consumption by nonindividual consumers. This year, Beijing's nonindividual consumer purchasing power will be cut by 20 percent compared to last year.

2) We will strengthen management and supervision of wage funds and limit the increase in personal consumption demands.

3) We will promptly set up and perfect a personal income reporting system to facilitate the collection of personal income adjustment taxes.

4) We will reduce extra-budgetary labor utilization and hiring of teams of construction contractors from outside the capital as well as temporary peasant laborers. We will limit hiring in society to replenish normal worker attrition.

5) We encourage the people to save. We will reform the city and town housing system step by step and sell new and existing homes in an orderly fashion, and we will take other measures to gradually adjust the consumption mix and fan out the purchasing power properly.

*C. We are determined to control the increase in product prices and make sure that this year's price increase will be significantly less than last year's.*

1) We have centralized authority to approve price increase requests and implement the price control target-responsibility system. Government and business management departments must stay within the limits of their price control authority and restrict the list of items permitted to raise prices. They must not overstep their authority and set prices, adjust prices, or raise prices surreptitiously.

2) For color televisions, fertilizer, pesticides, agricultural sheeting, and other state-regulated, specialized products, other units aside from assigned operational departments, should not interfere in their production. It is necessary to reduce the links in circulation, ban middleman exploitation, and investigate and deal with all illegal operations.

3) We will rely on state-set prices and state pricing guidelines when pricing products and setting fee standards. All prices will be posted and adhered to, and total social supervision.

4) The scope of price decontrol will not be extended. Commodity prices and fees already decontrolled will be closely monitored, managed, and scrutinized. We will continue to limit the improper flow of goods and the number of product circulation links and set price-difference ratios.

5) Commodity prices and labor and service fees must post clearly marked prices. Purchase prices and wholesale-retail price differences of important commodities must be disclosed.

6) We will continue to launch thorough price investigations. Units and individuals who violate price laws and regulations will be treated seriously and prosecuted according to law.

*D. We will strengthen the agricultural sector and emphasize the production of grains, vegetables, and other principal sideline products, and will strive for another bumper harvest for all crops.*

Grain production will be emphasized as the crucial task of the rural areas. Our plan proposed grain production of 2.25 million tons, striving for 2.35 million tons if possible. Planting area should be stabilized. Emphasis is put on per unit yield and on increasing total output. The grain crop area should be kept at a full 4.55 million mu, and conversion of farmland to other uses will be very much restricted. In the flatlands where grains are produced, farmland may no longer be converted to orchards and fish ponds.

We will vigorously develop nonstaple food production. Our plan proposes 355,000 mu of commercial vegetable planting area, marketing 1.3 million tons of vegetables. We plan to produce 190,000 tons of milk and 180,000 tons of commercial eggs. We will strive for 2 million heads of commercial hogs and 15 million chickens, and to catch 40,000 tons of fresh fish. With respect to vegetable production, we will continue to implement with determination the general policy of "planting a foothold in local products while stabilizing and increasing production in the nearby suburbs, developing production in the outer suburbs vigorously, and making full use of out-of-town products." We must continue to implement other policies to support the production of milk, poultry, hogs, and other sideline products.

Despite tight credits, town and township enterprises must seize the opportunity—as the economic climate continues to improve—to adjust the industrial structure, strengthen enterprise management, strive for technological advancements, and work hard to increase economic efficiency in order to gain vitality as they compete with one another. At the same time, we are determined to close down those enterprises or halt production of those products for which we cannot guarantee a supply of raw and processed materials, are high in energy consumption and low in economic efficiency, and are serious polluters.

We must implement the general policies of "improving the large-scale operations, accelerating agricultural development, increasing effective supply, and serving the capital with determination" and "emphasizing adjustment, high standards, and efficiency," and we must strive to make the agricultural sector more specialized, commercialized, and modernized, and to promote steady development of agricultural productions.

1) The cultivating and breeding trades must size up the situation and extend case-by-case guidance and further improve the responsibility system of linking remunerations to output. We must reinforce and further improve the fairly large-scale farm operations and continue to encourage the use of farm machinery, increase the land utilization rate, raise the labor productivity rate, and produce more commercial agricultural products.

2) We plan to increase agricultural input through many channels. This year, Beijing's gross agricultural input is expected to be significantly higher than last year's. While the municipality is determined to reduce the scope of investments, investment in basic agricultural constructions (including the processing of agricultural products) will be 22 percent more than early last year's budget. The municipal government will spend 14.6 percent more money on agriculture than last year. The Agricultural Bank and the credit cooperatives plan to provide more than 700 million yuan in additional loan funds to agriculture and town and township enterprises. The suburban districts, counties, and villages will also increase agricultural input and are determined to implement the policies of "relying on industry to supplement agriculture" and "rely on industry to build up agriculture." They are prepared to guide the rural collective economy of the peasants and divert more of their funds toward agricultural constructions.

3) We will work hard to guarantee supply of chemical fertilizers, plastic sheeting for agricultural use, pesticides, and other means of agricultural production.

4) We strive to let science and technology play a bigger role in agricultural development. We want to succeed in the implementation of the "spark plan" and "bumper harvest project." We will promote broad application of agricultural science and technology which help us save agricultural input and increase output and promote agricultural development.

5) We will continue to implement those policies which facilitate construction in the mountain areas and poverty-stricken villages, and better manage funds gathered through different channels to help the poor and speed up the pace of construction and poverty relief.

6) All businesses and trades must continue to support agriculture and help achieve another year of bumper harvest.

*E. We will work hard to adjust the mix of industrial products, increase effective supply, and improve economic efficiency.*

In the proposed plan, production of 80 of the 127 major industrial products will increase over last year's. They include power generating capacity, automobiles, small tractors, combines, electronic microcomputers, television sets, household refrigerators, beer, and soap (scented). Output of the above products to various extents will increase over last year's. Meanwhile, according to market demands and the supply of raw and processed materials, planned production of some other products will be reduced.

1) In compliance with the industrial policy, we will adjust the product mix and increase the effective supply as much as possible. In accordance with the state council's "Decisions on the Key Points of the Present Industrial Policy," the city planning committee is in the process of meeting with the economic commission and

other departments to study and work out practical ways to adjust the municipality's industrial structure and product-mix. This year, we will give special support, in terms of energy supply, foreign exchange, material goods, and credit funds, to products which increase society's effective supply. We will adopt economic means to reduce output, suspend production, or convert to other uses products for which the state has set strict production limits or has ordered production stopped and also enterprises that are of poor quality and are unprofitable, which consume too much energy, and which lack raw and processed materials.

2) We will take effective measures to guarantee normal production in state-run large and medium-sized enterprises and normal production of goods under the state's mandatory plan. Guaranteeing normal production in large and medium-sized enterprises basically is ensuring effective supply, protecting the market, and guaranteeing the government's financial revenues. Relevant departments in the municipality must give preference to the large and medium-sized enterprises when arrangements are made to meet funding, energy, raw and processed materials, and transportation needs.

3) Industrial growth must be founded on improved economic efficiency. Enterprise management departments must set specific and realistic standards and requirements to assess enterprise [performance] and promote better management and improve economic efficiency.

4) We must ascertain the completion of key industrial basic construction projects and key technological transformation projects which are economically efficient, which generate quick results, and which are consistent with the state's industrial policy. When these projects are completed, they can go to work and generate investment returns.

5) We will increase power generating capacity and coordinate near-term measures with long-term constructions, striving to gradually increase the municipality's power supply. Meanwhile, we must continue to develop energy-conservation projects, restrict the production of high energy-consumption goods, curb the excess use of electricity in high-class hotels, improve capability to shut off power supply locally, and try as much as possible to disperse and minimize the impact of local brownouts on businesses, schools, and households.

6) We must stress the exploration and use of mineral products and resources and gradually establish a new order in managing mine work by law and improving geological exploration works.

*F. We will gather products to ensure supply and work hard to keep the capital city's market prosperous and stable and further improve the living conditions.*

The proposed plan estimates that the municipality's gross retail sale of social goods will reach 28 billion yuan, about 20 percent higher than last year's. This year, we

will emphasize the production, integration, and supply of grains, sideline products, and the essential everyday goods. We must increase the supply of products which are in short supply and which take up more of the cash in circulation. We must adopt effective measures to guarantee continuous supply of the urban and rural residents' basic everyday necessities, such as table salt, matches, toilet paper, soap, and detergent.

1) We will continue to emphasize the setting up of commercial network points, especially those that profoundly affect the people's everyday life, such as stores that sell grains, vegetables, and nonstaple foods. We must emphasize in particular construction of large and medium-sized mainstay projects on our planning list. We will work hard on the transformation and construction of plants for the processing of grain, oil, and sideline products, grain and cold storages, and other plants and storage facilities approved by the central and municipal governments and which are already in process to gradually ease the acute shortage of those facilities.

2) We will further improve the living conditions. As we increase production and improve economic efficiency, the total wage bill will increase and the living conditions will improve. While we continue to banish the egalitarian practice of "eating out of the same big pot," we must also get rid of the inequities in distribution. We will accelerate the setting up of a social protection system to protect the workers' immediate interests.

*G. As we improve and overhaul the system, we will strive to develop the externally oriented economy and further open up to the outside world.*

By properly adjusting the mix of export products, the proposed plan estimates that the municipality can export and earn more than \$1.05 billion in foreign exchange. We must implement even more thorough reforms in the foreign trade system and perfect the dual-track contract responsibility system. We must reinforce macroeconomic control and restore order in the foreign trade operations, and give more freedom to those foreign trade and industrial-business corporations which meet state standards and which are doing a good job.

1) We will actively develop the tourist business and increase the tourist trade's foreign exchange earning. The proposed plan estimates an increase of 6.3 percent and 7.5 percent respectively, in the number of tourists and the amount of tourist money earned. We must do a good job with the "Beijing International Tourist Promotion Year" activities and increase advertising to attract even more tourists. We must see to it that hotels and restaurants which should be completed this year are completed on time to further increase our handling capacity. We must continue to strive to develop, produce, and sell more tourist products.

2) We must take advantage of the fine international situation and find ways to utilize more foreign funds. We must choose those projects which are compatible with the state's industrial policy and business development

plan, projects which are technically advanced, economically efficient, projects which help increase exports and lend momentum to our economic development. We must not rush into blind and redundant constructions. We should pay special attention to the balance of payments and guarantee it by providing the necessary domestic funds and better construction and production conditions. We need to set up more jointly owned enterprises which join our existing enterprises to foreign advanced technologies, management experience, and international sales channels. We welcome foreign businesses to set up wholly owned enterprises. We must abide by the contracts and protect our ever-improving investment climate and China's prestige as we open up to the outside world.

*H. We will strengthen the construction of infrastructure and guarantee on-time completion of the Asian Games projects.*

Urban infrastructure constructions are still the key points of our plan. We will continue to give top priority to urban construction. To ease the water supply problem, we will complete the third set of projects for the first phase of the No 9 Water Works Plant and the Changxindian Water Works Plant. We will continue to focus on road construction and transportation facilities and increase construction of municipal facilities. We plan to complete 236 kilometers of municipal main conduits and trunk lines and build the first phase of the Gaobeidian Sewage Treatment Plant (daily treatment capacity of 250,000 tons). We will continue to develop urban public utilities, convert 50,000 households to natural gas use and 35,000 households to gas (all direct natural gas and coke-converted gas customers must turn in their liquefied gas bottles; gas supply will be withheld otherwise). We will further develop postal and telecommunications services, expand the 301 and 401 program-controlled telephone bureaus, and add another 40,000 telephone lines and 30,000 telephone customers in the city.

We shall guarantee basic completion of construction for the Asian Games. We plan to complete construction of 12 on-site competition arenas and three practice gymnasiums, including the Beijiao Gymnasium, the stadium for swim competitions, and the Jinhai Aquatic Sports Arena. We also intend to finish 17 other projects, including the athletes' quarters, the Beijiao Heating Plant, expansion of Capital International Airport, and the Beijing Food Service and Catering Center.

We plan to complete 2.33 million square meters of housing for local staff and workers. This includes 112,000 square meters of housing for elementary and middle school teachers, 95,000 square meters to satisfy the government's private housing policy, 30,000 square meters to house the general sanitation workers, 91,000 square meters for the cadres who have retired or are on leave from the army, 74,000 square meters for the political, legal, and public security staff and workers, and

another 60,000 square meters to house the primary-level commercial staff and workers.

*I. We will continue to create a greener and prettier city and improve the environment.*

This year, the municipality plans to plant 1.2 million trees, lay 1 million square meters of green lawn, and plant 400,000 flowering plants and 50,000 climbing plants. In the outskirts of the city, 27 kilometers of roads will be lined with trees. We will begin afforestation in 9 areas, expanding the greenbelt by 521 hectares. We will focus on planting more trees around the Asian Games site, areas endangered by sand storms, the headwaters protection area, and the scenic areas.

1) We will further enhance our environmental protection tasks and solidly and steadily perform the 10 tasks for the people. The municipal government has decided that this year, the districts, counties, relevant bureaus, and company headquarters must perform 10 practical tasks in the area of environmental protection for the people.

2) We will further improve the municipality's appearance and its general sanitation. We want to focus on the appearance of the neighborhoods in the city and the nearby suburbs. We want to improve the environmental sanitation facilities, add new street cleaning and garbage removal trucks, build air-tight, containerized garbage dumps, and add new or renovate existing public lavatories.

*J. We will promote the development of educational and scientific and technological undertakings as well as cultural, public health, and sports undertakings.*

With respect to improving basic education, the proposed plan anticipates 188,000 new enrollment in the elementary schools and 139,000 in the junior middle schools; both represent increases over last year's figures. The relevant departments must work together and focus on the expansion and renovation of elementary school buildings, and meanwhile, they must tap the schools' own internal capacity and continue to make sure that the "two parttime shift" system will not be reinstated. Regular senior middle schools will have a stabilized enrollment of around 35,000 students each year. The emphasis is on quality education. The goal of the technical secondary schools should be to nurture suitable and needed qualified personnel. They should adjust the mix of specialized courses they offer and increase the size of enrollment. The proposed plan anticipates an enrollment of 15,000-18,000 students in the vocational senior middle schools and 10,000 in the municipal-run technician's training schools. We will try to recruit more students and encourage more junior middle school graduates to go on to senior middle schools. Municipal-run regular institutes of higher education should adjust the layout and tailor the specialized courses to the stabilized enrollment size. They should stress quality education and aim to serve the needs of the capital city's economic and social developments. The size of enrollment should be strictly limited to under 110,000 students as stipulated by the state. We must pay even more attention to

adult education. The proposed plan anticipates 19,000 students enrolling in adult institutes of higher education and 10,000 in adult polytechnic schools.

1) We will continue to improve conditions in the schools. This year, despite the reduction in the scope of investments, the proposed plan has set aside 23 percent more money for the education department than budgeted early last year. At the same time, we are continuing to urge the rest of society to raise money for education.

2) We must continue to implement the general policy of serving the capital city's economic construction and urban constructions as well as urban management, and we will continue to promote scientific and technological undertakings.

3) We must continue to emphasize disease prevention and develop medical care and public health undertakings. We want to extend medical care at several levels and in different ways to make it easier for the people to see a doctor or enter a hospital. We must reinforce the prevention of the spread of contagious diseases and limit the incidnets of contagious diseases to less than 1 percent. This year, we plan to build some more hospitals and add another 1,500 or so hospital beds.

4) We will strive to develop cultural and sports undertakings, tighten control over the cultural market, and enrich the capital city's cultural life. This year, we plan to build 9 district- and county-level science and technology centers, libraries, and archives. We will continue to improve the Beijing Radio Station and Beijing Television Station and do a better job with the preservation of cultural relics. We will emphasize physical education in elementary and middle schools and promote more sports activities for the masses to keep the people healthier.

We must continue to implement the existing family planning policy diligently and advocate one child per couple. We must implement birth control measures, especially in rural areas. We will reinforce the three-level family planning network and perfect the goal-oriented management responsibility system to limit the natural population increase rate to less than 10 per 1,000 population. At the same time, economic, administrative, and legislative measures will be taken to control population increase due to migration.

### **III. Implement Comprehensive, Thorough Reform, Reinforce Macroeconomic Control, Maintain Overall Equilibrium, Strive To Fulfill the 1989 Plans**

In order to fulfill every aspect of this year's national economic and social developemnt plans, we must strive to accomplish the following: we must cool the overheated economy and maintain moderate economic growth at the same time; we must cut back social demand drastically and strive to increase and improve effective supply; we must reduce the scope of investment and adjust the investment structure at the same time; we

must limit the excess increase in consumption funds and strive to improve the overall living standard; we must continue to open up to the outside world and enliven the economy and reinforce macroeconomic control also. The tasks are indeed formidable. Of all the citizens in the municipality, leaders at all levels must be the first to seek unity in thinking, coordinate steps, take the interests of the whole into consideration, observe discipline, make a concerted effort, and struggle arduously to strive to fulfill the plans.

To maintain overall equilibrium and reinforce macroeconomic control, we must in particular accomplish the following tasks:

- 1) Implement the tight financial policy and strive to increase revenues and reduce expenditures.
- 2) Control the volume of credit loans, adjust the credit loan structure, and make proper arrangements to fund production, circulation, and construction.
- 3) Strive to maintain a good balance of goods and materials and allocate them properly.
- 4) Limit imports and gather and regulate foreign exchange actively and strive to maintain balance of foreign payments.
- 5) Try to provide ample job opportunities.

To push forward improvements and rectifications, develop the planned commodity economy, and fulfill the 1989 plan, we must give top priority to reinforcing and improving control at the macroeconomic level. We must rely on comprehensive economic, administrative, legal, and disciplinary measures as well as political ideological work—we need to work on all five areas when we implement macroeconomic control measures. All departments, enterprises, and units must comply with the state's financial system, banking system, and pricing system and be more restrained when it comes to spending money, handing out bonuses, and so on. They should submit to the state's macroeconomic control measures voluntarily.

*Fellow delegates:*

We have possibilities to realize our goals of improving the economic climate, restoring economic order, and implementing thorough reform; and to fulfill Beijing municipality's 1989 plans. As long as we have confidence in ourselves, raise our spirits, plant our feet on solid ground, and work hard, we can surmount the difficulties as we move forward and accomplish our plans for 1989. We shall welcome the 40th anniversary of the founding of the PRC with the brilliant exploits of construction and reform!

## Beijing's Economic, Social Development in 1988

*Beijing BEIJING RIBAO in Chinese 19 Apr 89 p 2*

[“Communique on Beijing's Economic, Social Development in 1988”—Beijing Municipal Bureau of Statistics, 19 April 1989]

[Text] In 1988, amid continual economic reform and opening up, Beijing's economy was further strengthened. Statistics show that last year the nation's total output value was 39.3 billion yuan, 13 percent higher than the year before based on constant prices (same below); the national income was 28.2 billion yuan, an 11.8 percent increase; the gross value of industrial and agricultural output was 49.5 billion yuan, an 18.8 percent increase. Industrial and agricultural production continued to increase, and government revenues rose steadily. Foreign trade saw new development, and various social undertakings also made progress. The main problems that plagued the nation's economy despite development were excess demands in society, supply-demand disequilibrium, soaring prices, excess investment in fixed assets, and continued increase in population. In the fourth quarter of last year, we began to implement the general policy of “improving the economic environment, rectifying the economic order, and implementing more thorough reform,” and we are beginning to see some results.

### I. Industry

Industrial production continued to grow, and economic efficiency further improved. In 1988, Beijing's gross value of industrial output was 47.11 billion yuan (at constant 1980 prices), 19.2 percent higher than the previous year, and if we exclude rural industries at or below the village level, the gross value of industrial output was 41.83 billion yuan, 17.1 percent higher than the year before. The gross value of industrial output figure consists of a 4.6 percent growth for industries at the central level, 20.3 percent growth for local industries, 13.3 percent for industries in the people's ownership system, 19.7 percent for collectively owned industries (including a 53.1 percent growth for township industries,) 20.1 percent for light industry, and 14.8 percent for heavy industry.

Industrial enterprises played an important role in increasing effective supply in the market and guaranteeing market stability. At the beginning of the year, the municipal government implemented the “three preferences and one bonus” policy applicable to 100 categories of essential commodities which were in short supply and 100 categories of everyday small goods, thus guaranteeing normal market supply. Of the 127 categories of comparable products in the municipality, 80 managed to fulfill or over-fulfill government plans.



### Output of Main Products

	Unit	1988 Production	1988 Output As a Percentage of 1987 Output
Television	in 10,000 units	92.9	109.1
Color television	in 10,000 units	57.9	119.4
Tape recorder	in 10,000 units	111.8	222.7
Refrigerator	in 10,000 units	23.6	121.6
Piano	in 10,000 units	1.2	135.3
Yarn	in 10,000 tons	8.1	105.5
Woolengoods	in 10,000 meters	1633.5	105.7
Alcoholic beverages	in 10,000 tons	23.9	105.3
Beer	in 10,000 tons	16.9	105.5
Steel	in 10,000 tons	369.0	110.0
Steel products	in 10,000 tons	314.9	111.1
Raw coal	in 10,000 tons	906.0	100.7
Electricity Generating Capacity	in 100 million kwh	111.1	105.1
Cement	in 10,000 tons	334.3	104.6
Automobile	in 10,000 units	9.2	124.3
Chemical fertilizer	in 10,000 tons	9.5	105.7
Plastic material	in 10,000 tons	38.0	109.4
Ethylene	in 10,000 tons	30.3	112.1

Economic efficiency in the industrial enterprises and product quality continued to improve. In 1988, income from sales of goods produced by locally budgeted industrial enterprises increased 25.6 percent, generating 18.9 percent more profit taxes and delivering 9.8 percent more profit tax revenues to the higher authorities. The overall labor productivity rate of workers in the municipality's industrial enterprises under the people's ownership system which keep independent accounts rose 13.1 percent. In 1988, Beijing's industrial products achieved a steady quality improvement rate of 95.5 percent; 98.3 percent of the export products passed inspections, and 40.8 percent of the industrial products were deemed high-quality products. Last year, 400 product categories were declared the best products of the department or municipality. In last year's national product quality awards and national arts and crafts award competitions, 23 products received gold and silver medals, and three enterprises received national quality control awards. By absorbing and digesting imported foreign advanced technologies, Beijing No 1 Machine Tool Plant began production of 1.75 meter numerical-control planer-type milling machines, making China one of the world's ranking producers of large planer-type milling machines. Models BJ136 and BJ136L light-weight trucks developed and manufactured by Beijing Light-Duty Automobile Corporation boast steady control, comfortable ride, and fuel efficiency. They are best sellers in the domestic market.

Industrial enterprises made progress with foreign fund utilization and expanded the export trade. In 1988, Beijing approved 101 industrial joint-ventures. The contracts were worth \$329 million.

Most industrial enterprises have adopted the contracted management responsibility system. By the end of 1988, of the 493 state-run industrial enterprises within the local budget which have adopted the contracted management responsibility system, 471 managed to fulfill or over-fulfill their contract duties. The 22 enterprises which failed to deliver their contracted profit taxes were responsible for their own profits or losses.

In 1988, while we continued to implement the contract management responsibility system, the industrial enterprises also optimized their labor composition. By yearend, 462, or 50 percent, of Beijing's enterprises in the industrial sector have optimized their labor composition. They employed 523,000 staff and workers, which comprised 61.8 percent of all enterprises staff and workers. Optimization of the labor composition gave the staff and workers even greater incentive to work harder and further improved enterprise economic efficiency.

### II. Agriculture

We continued to promote moderate economies of scale in suburban agriculture. Agricultural production has increased steadily. We had another year of bumper grain harvest. By the end of 1988, 2,568 flatland villages, or 91.6 percent of them, in the municipality's 15 suburban counties were operating with various degrees of economies of scale. In 684, or 26.6 percent, of those villages, all of the grain farms were operating with a moderate degree of economies of scale. Area-wise, 68.2 percent of all the grain farms have attained a moderate degree of economies of scale. This has guaranteed the continuous increase in grain production. The year's grain production topped 2,346,000 tons, 3.3 percent more than the year before, making this the 10th bumper crop year. For

the first time, the per mu grain output exceeded the 500-kilo mark—yielding 520 kilos per mu.

In 1988, the municipality's gross value of agricultural output was 241 million yuan (at constant 1980 prices.) 11.6 percent higher than the previous year. The gross rural output value was 19.46 billion yuan (at current prices.) a 51.6 percent increase over the previous year. Non-agricultural productions—industry, construction, transportation, commerce, and restaurant business—accounted for 14.21 billion yuan of the gross rural output. This represents a 51.2 percent increase and accounts for 73 percent of the rural society's total output value.

Production of sideline products also increased steadily. The stock of live hogs has increased. The downward trend in meat production has been reversed.

The principal sideline products are:

	Unit	1988 Production	1988 Output as a Percentage of 1987 Output
Fresh eggs	in 10,000 tons	21.8	129.8
Milk	in 10,000 tons	18.0	116.1
Aquatic products	in 10,000 tons	3.9	130.0
Vegetables	in 10,000 tons	271.3	112.5
Preserved fruits	in 10,000 tons	23.8	105.8
Watermelon	in 10,000 tons	33.3	106.1
Meat	in 10,000 tons	14.5	112.4

We continued to increase agricultural input and improve production conditions. At the end of 1988, Beijing's farms were powered by 3.997 million kilowatts of machinery, an increase of 2.9 percent over the previous year. We had 13,000 large and mid-sized tractors, 3.5 percent more than the previous year; 16,000 trucks, 8.9 percent more than the previous year. We used up 106,000 tons of chemical fertilizer, an increase of 5.9 percent, and consumed 1.64 billion kwh of electricity in the rural areas, 2.8 percent more than the previous year.

Township industries developed fairly rapidly. At the end of 1988, there were 18,600 township enterprises. They employed 903,000 workers, 50.6 percent more than the year before. In 1988, they supplied 820 million yuan's worth of export goods, 64.4 percent more than the previous year.

### III. Fixed-Asset Investment and the Construction Industry

We managed to curb the excess increase in fixed-asset investments. In 1988, investments in society's fixed assets were worth 16.3 billion yuan, 19.6 percent more than the previous year. Units at or above the county level

invested a total of 13.87 billion yuan in fixed assets, 14.3 percent more than the previous year but is less than the 28.5 percent increase in 1987. Of the total investments, 9.27 billion yuan was spent on basic construction, a 21.5 percent increase; another 4.6 billion yuan was invested in transformation and renovation, a 2 percent increase. Out of the total investment, units in the people's ownership system invested 13.13 billion yuan, an increase of 14.4 percent over the previous year; units in the collectively-owned system invested 720 million yuan, an 11 percent increase; local units invested 7.3 billion yuan, a 14.1 percent increase.

We kept the number of construction projects already in progress under control. Last year, there were 1,477 infrastructure projects in progress, 293 projects fewer than in the previous year. Of the projects under construction, 483 were new projects, 28 fewer than the year before. There were 3,294 transformation and renovation projects, 183 fewer than in the previous year. Of the infrastructure projects, 816 were local projects, and 326 of those were new projects. They represent 158 and 29, respectively, fewer projects than in the previous year. We sorted out many public building projects and halted and postponed 119 of them, cutting investments by 4.6 billion yuan and reducing the construction area by 2.33 million sq meters. In 1988, 26.42 million square meters of housing were under construction; 10.656 million sq meters have been completed, 234,000 sq meters more than the year before.

In 1988, the state assigned 21 key construction projects to Beijing and set reasonable completion dates. The projects were worth 1.3 billion yuan, and 1.16 billion yuan's work has been completed, raising the planned completion rate from 83 percent in the previous year to 89 percent. Reconstruction of the No 1 Generating Unit at the Shijingshan Power Plant was completed and has gone into operation. The newly added power generator has a 200,000-kilowatt capacity. Beijing's 100,000-line, program-controlled telephone installation project was completed last year, adding 27,000 new phones. The Asian Games construction projects were meeting the target dates. By the end of 1988, 15 of the on-site buildings have been completed.

Reform of the construction industry has become more thorough. In the municipality, 590 projects subject to public bids were under construction. They account for 6.5 percent of the total area under construction. In 1988, Beijing's construction industry generated 8.64 billion yuan in gross output value, 21.3 percent more than the previous year. Construction works alone were worth 8.16 billion yuan, 21.8 percent more than the previous year. The overall labor productive based on the value of construction works was 12,992 yuan, 19.9 percent higher than the year before.

### IV. Urban Construction and Urban Management

Construction of urban infrastructure made very good progress. In 1988, throughout the municipality, 64.8 kilometer of new roads were paved, and 13 overpasses of

different shapes and sizes were built in the northern, southern, and western suburbs. The completion of the Southeast Waierhuan Project which consists of 11.4 kilometers of roadway and 8 large overpasses eased the traffic jam in the southern part of the city. In 1988, 12 trolley routes were newly opened or extended, adding 64 kilometers to the transport route. By year-end, the public transportation system has carried as many as 4,787 cars and 337 billion passengers, a 2.1 percent increase over the previous year—Route 1 of the subway and the belt-way together transported safely more than 300 million passengers, a 59.7 percent increase over the previous year. The subway system's average daily passenger load increased from more than 500,000 to more than 800,000 person-times in one year. It has been a socially beneficial and economically efficient system.

Last year, the water works company sold 460 million tons of water, 8.3 percent more than the year before. Close to 300 million tons of the water were for household use. This is a 7.1 percent increase. The municipality consumed 13.79 billion kilowatt-hours of electricity, 7.3 percent more than the previous year. Everyday consumption by urban and rural residents accounted for 750 million kilowatt-hours, an increase of 28.8 percent over the previous year. Construction of the first phase (of two series) of the No 9 water works plant was completed in 1988 and has gone into operation, increasing the daily water supply capacity by 340,000 tons. The No 6 Oven of the Beijing coke-oven plant was completed and has gone into production, increasing the daily gas supply by 240,000 cubic meters. Ten blast furnaces were successfully fired; each furnace can generate 5,000 cu meters of low-calorific value gas, increasing the municipality's daily gas supply by 150,000 cu meters. In 1988, 113,000 households in Beijing converted to natural gas and piped-gas. By year-end, 1,653,000 households were using gas, natural gas, or liquified petroleum gas (LPG).

Progress was made in planting trees in and around the city. Units under the suburban and city parks department planted 2.31 million trees and laid 1.23 million sq meters of sod last year. Trees cover as much as 25 percent of the city. The per capita grass area has increased from 5.1 sq meter to 5.8 sq meters.

In 1988, the municipality's environmental condition continued to improve. In conjunction with the Asian Games constructions, the surroundings of Haidian gymnasium, Fengtai baseball field, and three other sites have been improved. To ensure clean surface water supply for Beijing municipality, Miyun County's sewage treatment plant has gone into operation and has completed 3,000 meter of sewage lines. The third phase of Tongxian County's Yudai River, Fengtai District's Xiaolong River, the first phase of Haidian District's Kunyuduan, and Shuiyagou repair and construction works are completed. Beijing's 240 electroplating plants and points were inspected, and 70.5 percent of the plants were issued permits; 16.4 percent were given time to bring conditions up to code, and the license of 13.1 percent of the plants and points were revoked. We also completed

four small, low-noise zones in Chongwen District's Donghuashi neighborhood, Dongcheng district's Jingshan and Dongsu neighborhoods, and Xuanwu District's Dahanlan neighborhood, thus solving the pollution problem of 90 key-point factories and workshops.

#### V. Transportation, Post, and Telecommunication Services

In 1988, Beijing's communication and transportation systems transported 75.92 million tons of cargo by different means: 31.683 million tons by rail, an increase of 1.4 percent over the previous year; 44.15 million tons by highway, a decrease of 9 percent; 91,000 tons of cargo and mail via the civil aviation system, an increase of 13.8 percent. Passenger transport by rail, civil aviation, and highway have all increased compared to the previous year. The railway system carried 47.818 million passengers, an increase of 8.2 percent; the civil aviation system carried 2.494 million people, an increase of 9.2 percent; the highway system transported 27.792 million people, an increase of 6.6 percent.

Postal and telecommunication services underwent rapid development. They generated 340 million yuan in business last year, a 20.8 percent increase over the previous year. A total of 350 million pieces of mail were delivered, an 11.7 percent increase; 1.19 billion newspaper and magazines were distributed, an increase of 2.4 percent. After 4 years of installation and trial use, the state has formally accepted delivery of Beijing's 100,000-line program-controlled telephone system. By the end of 1988, Beijing had the capacity to handle 330,000 telephones, an increase of 11.1 percent. Throughout the municipality, 237,000 households have installed telephones, an increase of 22.1 percent over the previous year.

#### VI. Commerce

The buying and selling of commodities clearly increased last year. Prices soared. In 1988, total retail sale of commodities in society topped 23.43 billion yuan, 32.7 percent more than the previous year, but if discount the higher retail prices, the actual increase was 8.9 percent. Of the total retail sales, the sales of consumer goods increased 32 percent and agricultural means of production increased 48 percent. Retail sales of consumer goods to civilians rose 32.7 percent and sales to non-individual consumers increased 28.7 percent. Among the retail sale of consumer products, sales of food, clothing, daily necessities, and fuel have all increased. Sales of everyday goods increased 39.4 percent, topping the rest; clothing sales increased 28.9 percent; food sales increased 27.2 percent, and fuel increased 11.7 percent. Commodity sales also increased fairly substantially: fresh eggs increased 10.7 percent, meat, 3 percent; salt, 15.5 percent; woolen goods, 11 percent; knit and cotton goods 6.5 percent, refrigerators, 24.3 percent; tape recorders, 32.6 percent.

In 1988, Beijing's various commercial departments gathered goods from many channels and guaranteed the capital's market supply. For the year, the government

purchased 35.12 billion yuan's worth of commercial goods, 30.6 percent more than in the previous year. Out of the total, 17.83 yuan's worth of goods were purchased in the municipality itself, an increase of 25.8 percent. The share of products purchased in the municipality as a percentage of all products purchased by the government was reduced from 54.2 percent to 50.9 percent. Of the local purchases, agricultural and sideline products increased 39.1 percent and industrial products increased 23.7 percent. Purchase of commodities from outside of the municipality was worth 15.93 billion yuan, 36.6 percent more than the previous year and clearly much more than the increase in the purchase of local commodities. In 1988, Beijing's department of commerce purchased local products, developed lateral ties, brought in more factories and stores, held trade shows, and adopted different ways to increase product supply. They have created a prosperous market in the capital.

Country fair trade also saw new development. At the end of 1988, there were 730 country fair markets, 60 more than in the previous year. Total transaction was worth 1.16 billion yuan, an increase of 35.7 percent. We had 22 country fair wholesale markets, 5 more than in the previous year. Their sales topped 290 million yuan, an increase of 1.2-fold.

At the end of 1988, Beijing had 111,000 business network points in the commercial and service sectors. Among them, 12,000 were state-run network points, 220,000 were collective network points, and 77,000 were individual tradesmen. The districts and counties have also set up their own large and mid-sized networks, improving the municipality's commercial network and business distribution. Business network points per 10,000 people in the municipality has increased from 104.5 in the previous year to 111.1 last year. This has made life much more convenient for the people.

Prices soared last year. In 1988, the workers' cost of living index rose 20.4 percent. In particular, the retail price index rose 21.9 percent, and the price index of service items rose 6 percent.

## VII. Foreign Economic Trade and Tourism

Our foreign export surpassed the \$1 billion mark. For the year, total export value topped \$1.02 billion, exceeding the state plan by 31.1 percent and surpassing the previous year's figure by 15.4 percent. The product-mix of exports saw further improvement. The share of export of mechanical and electrical goods increased from 15.4 percent in the previous year to 19.5 percent last year. While we continued to export the traditional goods which we have always had an advantage, we have put some new products into the international market.

Foreign fund utilization made good progress. For the year, 185 foreign fund utilization agreements (excluding agreements to redirect foreign loan funds to other projects) were entered into. They were worth \$180 million. Last year, \$620 million in foreign funds were put to use. This equals the cumulative sum of foreign

funds utilized in the last 9 years since the opening up. Last year, 148 foreign-funded enterprises were approved. By year-end, 409 foreign-funded enterprises have entered into agreements, 363 of which have registered with the Administration for Industry and Commerce.

Tourism also experienced rapid growth. 1988 was Beijing International Tourism Year. For the year, 1.204 million tourists came to Beijing, 123,000 more than the year before. Tourism generated 2.51 billion yuan in foreign exchange, 21.7 percent more than the year before. Many departments used dragons as the theme and sponsored many special folk art activities and cultural entertainment and made the visits even more enjoyable for the tourists.

## VIII. Finance and Banking

The government's revenue continued to increase steadily. For the year, the government took in 6.81 billion yuan in revenues, 210 million yuan more than budgeted and 4.1 percent more than the year before based on comparable calibration. Of the total income, 6.727 billion yuan were from taxes, a 22 percent increase.

Last year, total expenditure was 5.29 billion yuan, 6.6 percent more than the previous year but still within our budget. Among the expense items, educational spending increased 26.1 percent. In 1988, Beijing spent 3.25 billion yuan on subsidies for grain, meat, eggs, sugar, transportation and so on. This is an increase of 29 percent over the previous year. The government's financial burden is growing.

At the end of 1988, the municipality's banks had 61.89 billion yuan in deposit of various kinds, 1.93 billion more than at the beginning of the year. The balance of outstanding loans was 41.63 billion yuan, 6.46 billion yuan more than at the beginning of the year. For the year, 1.77 billion yuan were withdrawn from circulation, 180 million yuan less than the year before.

The insurance business also saw rapid growth. The year's insurance premium generated 340 million yuan in income, 30.4 percent above budget and 37.6 percent more than the year before. Of the total income, 260 million yuan were derived from domestic insurance premium, an increase of 58.3 percent; 80 million yuan were derived from foreign insurance premium, no increase from the previous year. All types of domestic insurance businesses grew at a rapid pace. Property insurance increased 45.5 percent over the previous year; personal insurance increased 1.3-fold. Insurance coverages have increased from 130 categories in the previous year to 147 categories last year. Last year, 61.18 billion yuan's worth of properties were being insured, 31.9 percent more than a year earlier. The combined domestic and foreign indemnity rate was 29.2 percent.

In 1988, the auditing departments examined 1,868 units, 61 of which were found to have violations involving

more than a million yuan. Violations worth a total of 380 million yuan were uncovered. A sum of 97.24 million yuan were due the government, and so far 80.22 million yuan have been handed over. Such action played an important role in restoring social and economic order.

### IX. Science and Technology, Education, and Culture

Reform of the science and technology system made significant progress. The municipal-run scientific research units implemented more thorough reforms in addition to their contracted management responsibility system of "three guarantees and one link." Science and technology play an increasingly important role in the economic domain. In 1988, municipal-run scientific research departments of all levels got results in more than 3,700 projects, and more than 2,900 of those results have found applications. In 1988, at the International Invention Exhibition held in Beijing, the municipality won 43 awards—18 of them were gold medals, major awards, and special awards—topping the nation in the number of awards won. Beijing's "industrial technology promotion plan" which aims to promote technological advancement in industrial enterprises has been in place for only 1 year and already is a big success. Eighty of the first group of 167 planned projects have been completed and have brought significant economic benefits to enterprises. The suburban and rural areas' "spark plan" has also produced results, and 1,580 scientific and technological projects have found applications. Rural scientific and technological organizations continued their in-depth development. In 1988, there were 258 village-level science committees (science and technology offices). They play an important role in bringing in technologies and trained personnel and promoting scientific and technological applications.

Educational undertakings also made progress. In 1988, Beijing had 67 institutes of higher education enrolling 145,000 full-time students. There were 33,000 students in the graduating class and 2,716 graduate students seeking doctoral degrees and 16,000 seeking masters degrees. Reform of the college and university student recruitment and assignment system also made progress.

The polytechnic schools had 58,000 full-time students, 6,000 more than a year before. The vocational (agricultural) schools had 58,000 students, 1,000 more than a year before. The ratio of enrollment in the polytechnic schools, technician's training school, and vocational (agricultural) schools to enrollment in regular senior middle schools was 1.38:1.

For the 1988-89 school year, 99.5 percent of the school-age children entered schools, and 98.5 percent of the elementary school students went on to junior middle-schools. Throughout the municipality, there were 361,000 full-time junior middle school students and 851,000 full-time elementary school students. Beijing's elementary schools no longer operate two part-time

shifts. Society is attaching importance to preschool education, education for the blind, deaf, and mute, and education for the mentally handicapped.

Adult education now offers job-oriented technical training courses. As many as 161,000 students are taking televised college courses, evening, vocational, and correspondence college courses, and 110,000 students have graduated, 55,000 more than the year before.

Cultural undertakings flourished, enriching the people's cultural life. In 1988, there were 1,479 movie theaters of various sorts, 41 performing troupes, 346 cultural centers, and 23 public libraries. Beijing Library, known to be Asia's best, served 1.531 million readers last year. Throughout the municipality, state-run, collective, and individually owned publications continued to increase in number. Publications, news reporting, radio and television have all developed rapidly. Beijing has 126 local publishing units, issues 47 million magazines, and publishes 715 million copies of newspaper. Beijing broadcasting station is heard by 91 percent and Beijing television station is watched by 80 percent of the population.

### X. Health Care and Sports

Medical and health care and immunization works were highly successful last year. By year-end, the municipality had 4,342 medical and health care organizations, of which 445 were urban and rural hospitals. There were 105,000 medical technicians, 53,000 hospital beds. The average number of practitioners of Chinese or Western medicine per thousand population has increased from 4.6 to 4.8, and per-thousand population hospital beds have increased from 4.8 to 5.3. Beijing's urban and rural primary-level health care organizations grew fairly rapidly. There are 13 newly-built, expanded or remodeled hospitals at the district level, 4 at the county-level, and 4 neighborhood clinics. They occupy a total of 217,000 sq meters. Much have been accomplished in rural sanitation, epidemic prevention, and health care works.

In the sports front, we were also very successful. In 1988, Beijing's athletes won 236.5 awards in major international and domestic competitions, of which 89 were gold and 74.5 were silver medals.

### XI. Living Standard

By the end of 1988, there were 4.104 million people employed in Beijing, 52,000 more than at the beginning of the year. The total wage bill came to 8.12 billion yuan, 21.7 percent higher than the year before. Of the total wage bill, 2.21 billion were bonuses, an increase of 31.4 percent. The workers' average annual income was 2,000 yuan, 19.8 percent higher than the year before.

According to a sample survey of urban and rural families, in 1988 the city and town residents' average income was 1,437 yuan, 21.6 percent higher than the year before, but if we take into consideration the increase in the cost of living and higher prices, the increase was 1 percent. The peasants' per capita net annual income was

1,062.6 yuan, 16 percent higher than the year before, and if we take into consideration the higher suburban industrial product prices, the increase was 0.8 percent. Because of surging product prices, some families' real living standard has declined.

At year-end, urban and rural residents had 11.16 billion yuan in savings, which is 1.86 billion more than at the beginning of the year and is 20.1 percent more than the previous year. Of the total savings, city and town residents account for 9.05 billion, an increase of 1.53 billion yuan, or 20.4 percent; rural residents account for 2.11 billion yuan, an increase of 330 million yuan, or 18.6 percent.

Living conditions in the urban and rural areas have improved. The per capita living space of urban residents has increased from 6.82 sq meters a year before to 7.17 sq meters last year. The per capita living space of rural residents has increased from 18.4 sq meter to 19.2 sq meters over the same period.

## **XII. Population**

Population continued to swell. Beijing's permanent population has surpassed the 10 million mark. According to statistics compiled by the Household Registration Administration, by year-end, there were 10.012 million permanent residents, 132,000 more than at the beginning of the year. Of that population, 6.142 million were non-agricultural and 3.87 were agricultural. The municipality's birth rate was 14.40 births per thousand population; the mortality rate was 5.54 per thousand; the natural population growth rate was 8.86 per thousand.

## **Beijing's 1988 Final Accounting Report, 1989 Budget Proposal**

*Beijing BEIJING RIBAO in Chinese 7 May 89 p 3*

[Article by Wang Baosen 3769 1405 2773, Director of the Beijing Municipal Bureau of Finance: "Beijing Municipality's Final 1988 Financial Report and Draft of the 1989 Financial Budget (Excerpt)—Delivered on 20 April 1989 at the 2d Session of the Beijing Municipal 9th People's Congress."]

[Text] *Fellow delegates:*

On behalf of the people's government, I would like to submit the final 1988 financial report and the draft of the 1989 financial budget for your consideration.

### **I. The Final 1988 Financial Report**

In 1988, under the proper leadership of the CPC Beijing Municipal Committee, Beijing's people of all nationalities diligently implemented the basic lines set down by the 13th Party Congress, upheld the four basic principles, persisted in reform and opening up, and persevered in the implementation of the general policy of improvement and rectification and the decisions of the first session of the Beijing Municipal 9th People's Congress. They let reform rule the situation. They were inspired

with enthusiasm, united in spirit, and they surmounted many difficulties as they moved forward. Both reform and constructions gained new ground. Industrial production continued to grow, and economic efficiency improved. We had another bumper grain harvest, and the output of agricultural and sideline products, especially vegetable, milk, eggs, and meat, increased fairly substantially. Sales and purchases in the commercial market were brisk, and there was ample supply to meet the people's everyday needs. Foreign trade and export increased in scope, and various undertakings also made progress. Our improvement and rectification efforts are beginning to pay off. On top of all these, the execution of the budget also went smoothly.

The first session of the municipality's 9th People's Congress approved a 1988 budget of 6.6 billion yuan in revenues. The actual revenue was 6,810,933,000 yuan, which is 103.2 percent of the budget and is 4.1 percent higher than the previous year's revenue based on comparable calibration.

The first session of the municipality's 9th People's Congress approved a 1988 budget of 5,001,400,000 yuan in expenditures. During the execution of the budget, because of actual needs to fund the construction projects and other undertakings, we requested the standing committee of the municipality's People's Congress for additional funding, which was subsequently approved, and the budget was revised and raised to 5,542,960,000 yuan. Execution of the budget resulted in 5,293,403,000 yuan in expenditure, which is 95.5 percent of the budget and 6.6 more than the previous year's expenditure.

Execution of the 1988 budget resulted in a slight surplus.

The above situation shows that there is surplus revenue and we have maintained steady growth 6 years in a row. We kept the financial expenditures within budget, guaranteed funds for key projects, supported reform, promoted development in production and various undertakings, and improved the people's living standard. We also balanced revenue and expenditure and still have a little left over. The overall budget execution went smoothly. Last year, the municipal government and the people of Beijing worked very hard to balance the budget.

*A. We improved and perfected the multi-formated contracted management responsibility system, consisting mainly of the "two guarantees and one link." We gave strong impetus to production and improved efficiency and guaranteed steady increase in financial revenues. Last year was the second year of Beijing's comprehensive implementation of the multi-formated contracted management responsibility system, consisting mainly of the "two guarantees and one link," in the large and medium-sized industrial and commercial enterprises. Practice proves that this reform measure has injected new life and vitality into enterprises. It separates properly the ownership and management rights in enterprises and expands enterprises' right to make business decisions. It has given*

enterprises the new mechanism to cater to market demands and adjust the product-mix. By entering into contract, the interests of the state, enterprises, and the staff and workers are organically linked. It gives enterprises internal drive and external pressure, and while it ensures that all parties will contribute more to the state, it also lets enterprises and their staff and workers get more material benefits. It has mobilized the masses of cadres and workers to increase production and reduce consumption, increase revenue and reduce expenditure; it has given impetus to production and has improved economic efficiency. We have accomplished much in one year. Take the state-run industrial enterprises within the local budget as an example. Despite fund and energy shortages and soaring raw and processed material prices last year, compared to the year before, output value has increased 12 percent and profit tax delivered to the central authorities has increased 9.8 percent. These played an important role in enabling the municipality to have a budget surplus and maintain steady growth.

*B. We continued to perfect the financial contract responsibility system in the districts, counties, townships, and neighborhoods, expanded the scope of contracted financial responsibilities among the public agencies, and gave the people the incentive to increase income and reduce expenditure.* In 1988, the 18 districts and counties generated 2,548,270,000 yuan in revenues, 32.4 percent more than the year before. This increase is far above the city's standard. The increase in revenues and financial strength has greatly enhanced the district and country governments' ability to fund education, increase agricultural input, develop urban and rural economies, and improve the living standard.

To give the township governments and urban neighborhoods even more incentive to increase revenue and reduce expenditure, in addition to implementing the contracted financial responsibility system in the districts and counties, the municipal party committee and government decided to hand down more financial power and enter into fixed, multi-year financial contracts with the townships and neighborhoods. With the concerted effort of the district and county governments and other concerned departments, all of the municipality's 268 townships (towns) and 93 neighborhoods entered into financial responsibility contracts last year, and in just one year, the results have been remarkable. Township revenues have increased 25.9 percent over the previous year; neighborhood revenues have increased 51 percent. The townships and neighborhoods have 104 million yuan in reserve funds, which more than doubled what they had before. Each township and neighborhood has an average of almost 30,000 yuan in reserve. Since the townships and neighborhoods gained financial strength, they have done much for education, health care, urban preservation, and the masses' livelihood, and they have increased agricultural input and have contributed toward urban and rural economic development.

In 1987, some municipal-run public agencies had begun experimenting with the contracted expense responsibility system. In 1988, all of the municipal-run and most of the district- and county-run income generating public agencies began to practice the "3-year term, three fixes and one bonus" contracted expense responsibility system, giving the units extra incentive to implement thorough internal reform and find ways to increase income and reduce consumption and cut back on expenses. This has helped many undertakings to forge ahead.

*C. We strengthened tax management, plugged loopholes, and made every effort to increase revenues.* Tax bureaus at all levels acted diligently in the spirit of the State Council's urgent notice to strengthen tax management and protect the state's financial revenues and cooperated closely with other departments to strengthen tax collection and management, plug loopholes, and worked hard to increase revenue. We set up a tax auditing contingent and employed professionals to examine the accounts of the crucial tax-paying units. Full-time and part-time tax collectors man the municipality's tax-paying units to monitor day-to-day tax collection more closely. We stationed tax collectors in key enterprises to ensure that important tax-payers pay their taxes promptly and fully. At the main intersections and in key depots, we set up tax inspection stations to check commodities and goods brought into and out of the municipality and individual unlicensed peddlars to ensure tax-payment. In the Dongcheng District, we installed experimental units to strengthen tax collection and management from individual businesses and country fair markets and set up mass tax assistance and protection networks in 10 districts and counties. We expanded the agency methods of tax collection, withholding, and payment. In Haidian District's New Technological-Property Development Experimental Zone, we piloted the personal income reporting system. We examined and sorted out the use of invoices in the municipality and promulgated a new management system. While we continued to do a good job with propaganda and improved tax laws and set up sound tax collection and management systems, we also began massive tax audits and sorted out and revised the tax exemption and reduction provisions and made every effort to increase revenues. With the concerted effort of many tax collecting cadres, 820 million yuan in additional revenue was collected last year. This played an important part in restoring economic order, regulating and promoting economic development, and making it possible for the municipality to execute its budget and have a surplus.

In addition, the finance, auditing, industry and commerce, and commodity price departments at all levels also conducted careful examinations. Last year, the auditing department audited 1,868 units and uncovered violations that involved 380 million yuan; 80 million yuan have been paid back to the treasury. The commodity prices administration launched a sweeping inspection of the municipality's prices and uncovered



11,000 cases of violations and collected 20 million yuan in fines. For the year, the industry and commerce department investigated and handled 641 cases involving illegal profits of over 1,000 yuan and exacted 10 million yuan in fines. The finance department strengthened management over the collection of agricultural taxes, farm, forestry, and specialty product taxes, and farmland occupation tax. They also improved the system, launched investigations, and for the year, they added 50 million yuan to the treasury, 39.8 percent more than the previous year.

*D. We made the utmost effort to increase educational spending to support the development of educational undertakings.* In 1988, the municipality spent 604,235,000 yuan on educational undertakings, 26.1 percent more than the previous year. This not only exceeded by far the 4.1 percent rate of increase in financial income but was also the largest increase in educational funding in recent years. In addition, among the other expense items, 355,988,000 yuan were education-related operating expenses and capital construction investments. Thus, in the 1988 budget, 960,223,000 yuan were actually spent on education. This accounts for as much as 18.1 percent of the municipality's total expenditure, 1.1 percent more than in the previous year. Total educational expenditure increased by 116,869,000 yuan over the previous year, which is 35.8 percent of the municipality's additional revenue in 1988. Besides the budgeted educational expenditures, extra-budget funds—income from various surcharges, income earned by school-run factories, and other funds gathered by the units and spent on education—added another 211,451,000 yuan. The budgeted and extra-budget funds spent on education amounted to 1,171,674,000 yuan. While the government and the units were experiencing fund difficulties, trying every possible means to increase educational funding clearly reflects how much the municipal party committee, the municipal government, and the whole society value and support educational undertakings.

In 1988, not only did funding for educational undertakings increase, but relative to the number of students enrolled in the schools, the average per student expenditure also increased fairly significantly. For the middle schools, the per student expenditure was 409.64 yuan per year, 26.9 percent more than the year before; spending per elementary school student was 217.71 yuan, 27.5 percent more than the year before; spending on each college student was 3475.08 yuan a year, 25.4 percent more than the previous year.

In order to promote development in educational undertakings, besides making every effort to increase investment in education, the municipal government also launched a pilot project to reform the education system in selected key areas. In order to get rid of the old egalitarian, "eating out of the same big pot" management system, in 1988, the school principal responsibility system, the teacher and staff hiring system, the structured wage system, and the total wage bill contract

system were implemented in selected schools throughout the municipality as experiments to change the schools' internal mechanism. The schools selected for the experiments underwent reorganization and eliminated some over-assigned staff. They added more classroom time and set up a new wage structure whereby more work meant more pay and quality work meant better pay. This gave the teachers extra incentive. In the experimental-unit schools, the average number of sessions a teacher taught was increased from 8 to 11, adding 3 extra sessions. The teachers' average income also increased; the key members of the teaching staff in particular received significant raises. The municipality has learned from this experience to make the reform of the educational system more thorough.

*E. We increased agricultural input and supported comprehensive development of the rural economy.* The 1988 budget for supporting rural production and the agricultural, forestry, water conservancy, and meteorological departments was 287,965,000 yuan, 50.6 percent more than the year before and accounting for 5.4 percent of the municipality's total expenditure for the year. The additional funding was used primarily to construct more agricultural and sideline product production bases in the capital, encourage economies of scale in rural operations, promote specialized, commercialized, and modernized productions in the rural economy. These have enriched the city dwellers' "food basket." In order to sustain township enterprises and develop the export-oriented economy, the municipal bureau of finance set up a 94 million-yuan revolving fund and promulgated a preferential policy to help township enterprises develop the export-oriented economy. This has made the investment climate more attractive to foreign businesses. Furthermore, the municipal, district, and county finance departments also raised 27 million yuan to continue to help increase production in the 37 poverty-stricken townships and improve their backward conditions. At the end of 1988, the 37 poor townships earned a gross income of 360 million yuan and net income of 180 million yuan, which represent 44 percent and 32.9 percent, respectively, increase over the previous year. By general standards, 34 of those townships are no longer poor.

*F. We supported construction of urban infrastructure and further improved the living environment.* In 1988, adhering diligently to the thrust of the State Council's instruction to limit investment in fixed assets, the municipal government allowed a smaller budget for basic constructions, tighten approval for enterprises to raise their own construction funds, and sort out and consolidate public building projects and other construction projects in process. Last year, total expenditure on basic construction and enterprise upgrading and transformation was 1,517,504,000 yuan, a reduction of 128,612,000 yuan, or 7.8 percent, relative to the year before. While we reduced investment in fixed assets, we also adjusted the investment composition and increased proportionally the funding for urban infrastructure.



In 1988, urban preservation expenditure came to 218,510,000 yuan, 14 percent more than in the previous year. If we include the additional spending on various urban utilities, total expenditure on urban preservation equalled to 298.51 million yuan, 18.7 percent more than the previous year. We tried harder to safeguard the urban infrastructure and create a greener, prettier, and clearer urban environment.

*G. We increased subsidies, curbed price increases, and stabilized the market.* In 1988, to curb the soaring prices and stabilize the market and ensure that the living standard would not be jeopardized, despite very tight financial conditions, the municipal government spent much money on increasing government subsidies. Last year, from both the revenue and expenditure accounts, the municipal government appropriated as much as 3,254,960,000 yuan for subsidies, 736.1 million yuan more than the previous year. Based on a population of 6.14 million in the cities and towns, each person received an average of 530 yuan a year in subsidies, averaging 1.45 yuan a day. These subsidies played an important role in curbing price increases, stabilizing the market, improving the living standard, and preserving political stability and unity.

*H. We limited the purchasing power of non-individual consumers and launched major taxation, financial, and price investigations.* In compliance with the spirit of the State Council's decision to limit the purchasing power of non-individual consumers, last year, the municipal government twice convened city-wide mass meetings on limiting the purchasing power of non-individual consumers. We stated our goal clearly and implemented the senior officer responsibility system. The purchase restriction quota was decentralized and sent to the primary level. Units were encouraged to economize but were not allowed to exceed the quotas. We carefully examined and approved specific commodities to be put under purchase restrictions and adopted the fixed-point supply system. We took economic measures and imposed a "controlled commodity surcharge." We launched investigations, consolidated and reorganized and imposed control over automobile purchases and so on. These efforts to limit the purchasing power of non-individual consumers achieved outstanding results. In 1988, the purchasing power of non-individual consumers was limited to 722 million yuan, 24.6 percent below the previous year's based on comparable measurements and 4.6 percentage points better than the 20 percent target set by the State Council, saving 230 million yuan. This measure played an important role in curbing the excess increase in consumption funds.

To do a good job with the investigations into taxation, financial affairs, and prices, the municipal government provided stronger leadership, improved the organizational structure, brought in more personnel, prepared ahead of time, made careful plans, increased propaganda and publicity, and mobilized the social forces and invited members of the democratic party and factions to participate personally in the investigations. We guided

units to conduct self-examination and increased inspections at the key points. We made this round of major investigations much more successful in terms of momentum, scale, depth, and results than ever before. The internal examinations and investigations of key points uncovered violations that amounted to 369 million yuan; 282 million yuan were due the treasury, and so far, 224 million yuan have been repaid. This had a positive effect on restoring order in the economic domain, enforcing financial and economic discipline, increasing revenue, and balancing the budget.

*Fellow delegates:* On the whole, the execution of the 1988 financial budget was successful, but there are still some problems and difficulties. In his government task report, Mayor Chen Xitong [7115 1585 0681] pointed out that many of Beijing's economic problems have affected government revenues to different extents. The more serious problems are: one, lax management over public finance and financial affairs. In some units, tax fraud and tax evasion, wastefulness, draining of revenues and lavish spending are prevalent. Two, in some enterprises, economic efficiency is low, product quality is poor, and production cost is too high. Enterprises are not tapping internal capacity. Three, government subsidies are increasing too fast, and the government is overburdened. Most of the newly collected revenues are eaten up by the subsidies. Four, the public finance and financial systems are deficient. Five, we lack effective macro-economic measures. In future rectification and consolidation efforts, we must take positive measures to address and solve these problems.

## II. The 1989 Budget Proposal

The 1989 budget proposal is drafted based on the guiding principle of "improving the economic climate, rectifying the economic order, and implementing more thorough reforms" and the tight financial policy enacted by the 3d Plenary Session of the 13th Party Congress and is in compliance with the requests made by Mayor Chen Xitong in his government task report and in accordance with the targets set forth in the municipality's economic and social development plans. When we budget the financial revenues, we expect to continue the growth trend as we expand production moderately, improve economic efficiency substantially, and amass funds in moderation. In budgeting the expenditures, we continue to uphold the tighten policy as we guarantee some projects and cut back on others; we will make decisions on a case-by-case basis. Areas which will see increased funding are: educational and technological undertakings; price and wage reform-related expenditure; agricultural input and planned investments in educational and agricultural constructions and urban infrastructure. Areas which will see substantial cut backs are: ordinary basic construction, consumption by non-individual consumers, and administrative outlay. All other expense items will more or less remain at last year's level. The thrust of the 1989 budget proposal I am bringing before the congress for deliberation is as follows:

The 1989 budgeted revenue is 7.082 billion yuan, 4 percent more than last year's.

The 1989 budgeted expenditure is 5.502 billion yuan, 3.9 percent more than last year's.

With the above budget, except for the portion to be handed to the central authorities in accordance with the existing financial system, the municipality's revenue and expenditure are balanced. The important details are as follows:

*A. Our revenue estimate makes allowance for steady growth. It is a positive budget, a budget we can meet if we work hard.* The 1989 revenue estimate is based on the main targets of Beijing's economic plan, namely, an 8 percent increase in the GVIO, a 20 percent increase in gross retail sales of social goods, and 25 percent reduction in industrial loss incurred by money-losing enterprises. This proposal meets the State Council's requirement of a 4 percent per year increase in revenue for the municipality. The revenue estimate anticipates the state's taking some revenue-enhancing measures and takes into consideration higher revenues generated by improved enterprises economic efficiency. It also takes into consideration higher grain and business subsidies, higher interest rates, and enterprise staff and worker wage adjustments and other revenue-reduction factors. If we work hard, this year's revenue raising task can be accomplished.

*B. We have given priority to supporting the development of educational and technological undertakings and will continue to increase educational and technological funding.* Giving priority to educational development is a strategic necessity and is a part of our state policy to realize the four modernizations and revitalize China. In 1989, as urged by Mayor Chen Xitong in his government task report, and despite great financial difficulties and budget cuts, we will continue to put education first, giving it special consideration in our budget. We are determined to do the utmost to continue to increase educational spending. The 1989 proposed educational funding is 709.37 million yuan, which is 17.4 percent more than last year's and exceeds by far the magnitude of increase in the municipality's revenues. In addition, among the other expense items, 392.13 million yuan are earmarked for educational outlay and basic construction investment. The year's total educational appropriation as budgeted is 1,101,500,000 yuan, raising the share of educational spending as a percentage of the municipality's total budget from last year's 18.1 percent to 20 percent, an increase of nearly 2 percentage points. Besides the budgeted educational spending, it is estimated that another 243.69 million yuan extra-budgetary funds generated by the various surcharges, earned by school-run factories, and raised by various units will also be spent on education. If we add the total budgetary and extra-budget expenditures, the sum is estimated to top 1,345,190,000 yuan. The additional educational funding will continue to be used primarily to support the reform

of the schools' internal mechanism, to increase enrollment, purchase electrical audio-visual teaching aids, renovate dilapidating schoolhouses, demolish dangerous school buildings throughout the city, improve school conditions in the border, remote and mountain areas, and develop professional and technical education. The municipality, districts, counties, and townships have gathered 50 million yuan through different channels. The money will be used to improve the wage system in elementary and middle schools and raise the salaries and benefits of elementary and middle school teachers, further increasing the average income of the municipality's elementary and middle school teachers. Under an extremely tight financial situation, this budget fully reflects how much the municipal party committee and municipal government value and support education. Beijing's educational foundation is weak. The system is inadequate in too many ways. Even though the state budget has provided fairly substantial increase in educational funding, it cannot kept up with the needs of educational development. We must still mobilize the social forces to raise more funds for the schools, encourage the business sector to support education, do practical deeds for education, and promote the development of educational undertakings.

Technology is a deciding factor in the vitalization of the economy. We must support the development of technological undertakings vigorously. In 1989, the budget for operating expenses and the three categories of scientific and technological expenses is 112.77 million yuan, 10 percent more than last year's. The increased funding will be primarily for continued support of the implementation of the contracted funding responsibility system, consisting of the "three guarantees and one link," in the science and research institutes, and for the development of new products and new technologies, promotion and application of the results of scientific and technological developments, purchase of research equipment and facilities, training of scientists and researchers, and improving the living standard of the scientists and technicians.

*C. We will continue to increase government subsidies and make sure that price increase will slow this year compared to last year. We will adjust wages and improve the living standard.* In 1989, government subsidies appropriated from the revenue and expense accounts will total 4,172,040,000 yuan, an increase of 917.08 million yuan, or 28.2 percent, over last year. The additional subsidies will be used primarily in the following areas: non-staple food price subsidies in cities and towns will be increased by 91.5 million yuan; the purchase prices of some agricultural and sideline products and bank interest rates will be raised and 213.85 million yuan will be allocated to subsidize losses incurred in meat, egg, and sugar sales due to government policies; 538.26 million yuan will be allocated to subsidize grain and oil losses due to the state's revision of grain and oil purchase and sales policies which raises the purchase prices of grain and oil and expands the scope of operation. And in order to

promote the development of public transportation, the subway system, urban public services and other public welfare undertakings and continue to supply the people's everyday needs such as toilet paper, student text books and school supplies, soap, cotton, and stoves, an additional 73.47 million yuan in subsidies has been budgeted.

To give the staff and workers more incentive and solve some of the problems brought on by higher prices, the State Council has decided to raise the wages of staff and workers in the government units and public agencies and increase living expense subsidies for retirees of government units and public agencies and state-run enterprises some time this year and will try to resolve some of the more serious problems in wage relations. The necessary 50 million yuan has already been budgeted. In addition, we will continue to link the total wage bill to economic efficiency in state-run enterprises and support the workers' higher wages by improving economic efficiency.

*D. We have increased agricultural input and ensured further increase in the production of grain and non-staple foods.* In 1989, appropriations to support rural production and fund operating expenses of the farmland, forest, water conservancy, and meteorological departments total 330 million yuan, 14.6 percent more than last year. In compliance with the spirit of the national rural task conference which urged vigorous increase in rural input, the municipal bureau of finance has made the following arrangements: we will take 10 percent of the state's budgetary adjustment funds, add the revenues from township enterprise tax, the agricultural, forestry, and specialty product taxes, the incremental portion of the rural individual industrial and commercial household tax and the private enterprise tax, and also add the farmland occupation tax and all or most of the agricultural technological transformation funds earmarked for operations that handle grains—they add up to 120 million yuan—and set up two agricultural development funds, at the municipal level and the district-county level. The funds will be used to develop production bases for grain and non-staple foods such as vegetable, milk, meat, egg, poultry, fish, and fruit, and to repair irrigation and water conservancy systems, purchase more farm machinery, and promote the application of agricultural science and technology. At the same time, we have also increased funding to support township enterprise production and help out the remote, border, poverty-stricken townships.

*E. We will continue to reinforce key urban infrastructure construction and urban preservation.* In compliance with the spirit of the central government and the state's industrial policy and in accordance with the request of Mayor Chen Xitong in his government task report, while reducing the scope of basic construction this year, we will continue to adjust the investment structure and concentrate funds in water, electricity, gas, heat, road construction and other urban infrastructure. In 1989, we

have appropriated 253 million yuan for urban preservation, 15.8 percent more than last year. Adding the 80 million yuan budgeted for additional spending on urban public utilities, total expenditure on urban preservation will top 333 million yuan. The additional funds will be spent primarily on road repair and upkeep, environmental sanitation, planting trees, grass, and flowers, street cleaning, garbage disposal, additional traffic guardrails, repairing Changan Street and wrapping up the Sanhaun Street repair project, and so on.

*F. We will reduce the scope of basic construction and scale back administrative outlay.* The 1989 budget for basic construction and enterprise transformation is 1,063,800,000 yuan, 29.9 percent less than last year's. This is in compliance with the central government's request that we reduce investment in fixed assets. Except for planned urban infrastructure constructions, key projects of the agricultural and education departments, projects already entered into contract with foreign businesses, and housing for staff and workers, investments in all other departmental projects have been drastically reduced.

The 1989 budget for administrative outlay is 122.67 million yuan, 3 percent less than last year based on comparable measurements. Public spending on other projects has also been reduced 10-20 percent.

*Fellow delegates:* The 1989 budget is very tight. Revenues and expenditures are squeezed. We are far from meeting all the needs. There are many factors which make raising revenues and controlling public expenditure more difficult this year. We have tried our best with this proposal. We are facing very difficult financial conditions this year, and there is very serious fund shortage. Execution of this budget would require our utmost effort.

### **III. Implement the General Policy of Improvement and Rectification, and Work Hard To Increase Income and Reduce Expenditure; Strive To Meet the 1989 Financial Budget.**

The year 1989 is a crucial year for improvement and rectification. We have a formidable financial task. In his government task report, Mayor Chen Xitong proposed a tight financial policy and urged us to strive to balance the budget. He proposed a 4 percent increase in revenues in the budget, bringing the total revenue to 7.08 billion yuan. He also urged tight control of public spending. For this reason, we must mobilize the people of Beijing to act in the spirit of the 3d Plenary Session of the 13th Party Central Committee and the 5th Conference of the CPC 6th Beijing Municipal Committee. We must put things in order and make improvements, implement more thorough reform, muster enthusiasm, struggle arduously, and try to accomplish more.

*(1) We must readjust the economic structure, improve economic efficiency, increase effective supply, and make sure that revenues due the government are collected. (2) We must implement more thorough reform, promote*

*development in production and other undertakings, and mobilize all positive factors to increase revenue and reduce expenditure. (3) We must tap new financial resources, centralize funds, and organize efforts to raise more revenues. (4) We must struggle arduously to control public expenditure. (5) We must reinforce macroeconomic control and tighten budget management. (6) We must increase financial supervision and enforce financial and economic discipline.*

*Fellow delegates:* In 1989, under the leadership of the CPC Beijing Municipal Committee, we will mobilize the people of Beijing, implement the general policies of improvement and rectification and thorough reform and uphold the municipal People's Congress's various decisions. We will muster greater enthusiasm, evoke confidence, join our hearts and minds, strive to increase income and reduce spending, and try our best to meet Beijing Municipality's 1989 budget.

## Hebei Provincial Government Work Report

*Shijiazhuang HEBEI RIBAO in Chinese*  
3 May 89 pp 1-3

[Article by Hebei Provincial Governor Yue Qifeng 1471 1477 1496: "Government Work Report—2d Session of the 7th Hebei Provincial People's Congress, 19 April 1989"]

[Text] Delegates:

On behalf of the provincial peoples government, I submit this work report to the congress for its examination and approval.

### I. Review of the Past Year's Work

Since the 1st Session of the 7th Provincial People's Congress, we have upheld the four basic principles and adhered to a general policy of reform and opening to the outside world under leadership of the CPC Central Committee, the State Council, and the Standing Committee of the Hebei Provincial People's Congress. We have diligently carried out each of the decisions of the 1st Session of the 7th Provincial People's Congress, and implemented the spirit of the 3d Plenary Session of the 13th Party Congress. Thanks to the joint efforts of government at all levels and the broad masses of cadres and the public, new advances have been made in economic construction and reform throughout the province, and preliminary results have appeared in improving the economic environment and rectifying the economic order.

**Sustained growth of the national economy.** In 1988, social gross output value for the whole province was 134.3 billion yuan, up 16.1 percent from 1987; the gross output value of industry and agriculture was 108.92 billion yuan, up 16.7 percent; the gross national product for the province was 66.97 billion yuan, up 11.6 percent, and national income was 57.3 billion yuan, up 10.9 percent.

Rural social gross output value reached 63.37 billion yuan in a 16.1 percent rise over 1987. Gross output of grain was 20,225,000 tons, a 1,025,000 ton increase; gross output of cotton was 577,000 tons, down 49,000 tons; gross output of oil-bearing crops was 653,000 tons, down 36,000 tons; gross output of meat was 1,159,000 tons, up 13.9 percent; and poultry egg output was 440,000 tons, up 14.8 percent. The number of hogs, sheep, and goats in inventory, and outputs of both aquatic products and vegetables showed substantial increase. The gross output value of township enterprises was 41.63 billion yuan for a profit of 7.93 billion yuan and tax payments of 1.29 billion yuan, both substantial increases.

The gross output value of industry reached 83.65 billion yuan, a 19.5 percent increase over 1987, the output value of township industry being 60.62 billion yuan, up 16.2 percent. Output of energy and major raw and processed materials including electric power generation, and pig iron, steel, iron ore, sulfuric acid, plate glass, cement, and charcoal increased by varying amounts. Production of brisk-selling light and textile industry products, and name brand consumer goods of superior quality increased fairly rapidly. Industries for the support of agriculture developed further. Economic returns continued to improve. Industrial enterprises within local budget showed a 29.8 percent increase in profits and tax payments; the turnover period for fixed amounts of circulating funds decreased from 107 to 94 days, and losses in failing enterprises declined 30.7 percent. The output value profit rate, and the profit and tax rate on capital rose 2.8 and 3.2 percent respectively over 1987. The labor productivity rate for all personnel in industrial enterprises under ownership of the whole people doing independent accounting rose 8.9 percent.

A total of 11.11 billion yuan was invested in fixed assets of units under ownership of the whole people, 28.6 percent more than during 1987. A total of 1,663 capital construction projects owned by the whole people were completed and went into production; technical renovation and transformation projects numbered 1,433, 6.93 billion yuan in new fixed assets being added. New production capacity was added in coal mining, electric power generation, electric power transmission and transformer equipment, coking and steel smelting, highways and harbors, and posts and telecommunications.

Financial revenues for the year amounted to 6.48 billion yuan, a 12.4 percent increase over 1987, including 5.58 billion yuan in industrial and commercial revenues, up 16.5 percent. Financial expenditures for the year totaled 6.75 billion yuan, up 26.6 percent over 1987 for a deficit of 120 million yuan.

With the development of production, living standards for most residents of cities and the countryside improved. A random sampling showed a per capita living expense income of 1,080.50 yuan for city and town residents throughout the province, 26.4 percent more than in 1987. After making allowances for price rises, the

actual increase was 6.8 percent. Peasant per capita net income was 546.60 yuan, 23 percent more than in 1987. After allowing for price rises, the actual increase was 11.3 percent.

**Steady deepening of economic system reform.** Enterprise contracting systems further improved and developed. Currently 97.2 percent of industrial enterprises under budget throughout the province do contracting, and 94.5 percent of large and medium-sized commercial enterprises do contracting. The contracting period has increased for most enterprises. Competition mechanisms and risk mechanisms have gradually been established in state-owned enterprises. Numerous enterprises have increased their production efficiency and economic returns as a result of their experience with advanced management methods, including optimized labor groups, selective hiring of managers, and the promotion of "full-load work methods," "in-house banks," and "all-personnel efficiency management methods." New advances were made in enterprise mergers and the development of enterprise blocs. Throughout the province, 207 enterprises were combined into 184 enterprises, and more than 70 different kinds of enterprise blocs were founded in some key industries. In pursuit of the goal of developing a commodity economy, reforms were made in the foreign trade, government finance, planning, investment, materials, and financial and banking systems, and in the housing system. The province put into effect various kinds of financial contracting methods with prefectures and cities, which stirred the enthusiasm of government finance at all levels to increase income. In addition some experience was gained in exploring reforms including separate funds ledgers for enterprises, rollover contracting, open management, and statistical, tax collection, and assets control system reform.

**New strides taken in opening to the outside world.** An externally oriented economy was vigorously developed, the emphasis on earning foreign exchange. A total of 4.74 billion yuan worth of commodities for export were purchased during the year, 24.2 percent more than in 1987, and the export of commodities earned \$1.55 billion, up 4.4 percent. This included \$1.202 billion of sundry exports, up 11.9 percent. Substantial advances were made in efforts to employ foreign capital, the state and the province jointly approving 179 projects for the use of foreign capital for an investment denominated in renminbi of 8.53 billion yuan, \$1.227 billion of it negotiated foreign capital. The actual amount of foreign capital used during the year was \$150 million, \$19.1 million of it directly used foreign capital, and \$131 million of it indirectly used foreign capital. Deals concluded for the importation of technology throughout the province numbered 239 having a contract value of \$187 million. A total of 190 "partially or wholly foreign-owned enterprises of three kinds" registered, 99 of which have started up. Contracts concluded for engineering projects abroad and for labor cooperation totaled \$7 million value. Definite progress was made in beginning

work on the building of basic facilities for the Qinhuangdao-Tanggu-Cangzhou Bohai Gulf open economic zone.

**New achievements scored in science and technology, and education.** Science and technology system reform continued to deepen, the emphasis being on the "dual releases," 70 percent of technical development research becoming self-supporting. A total of 40,000 scientific and technical personnel went to rural villages to do technical contracting, less contracting being done with individuals and for individual projects, and more being done of a group, overall, and larger scale nature. Good progress was made in scientific research and technological development, more than 1,100 major achievements in science and technology having been made throughout the province, 28 of them meeting international standards, and 221 of them meeting advanced domestic standards. Both the rate of application of scientific and technical achievements and economic returns from them were higher than during 1987. Education developed further. National disbursements for education were 30.1 percent higher than during 1987, making 1988 the year of greatest increase in 10 years. A total of 436 million yuan was spent during the year on the construction of middle and primary school buildings, book procurement, and apparatus, up 77.8 percent from 1987. This included 227 million yuan of funds raised by the masses, or 52 percent of the total, enabling marked improvement in middle school and primary school operating conditions. Basic education saw improvement, the 9 year compulsory educational system was successfully implemented, primary school education becoming the general rule in an overwhelming majority of counties. Vocational and technical education was consolidated and improved. Complete reform of rural education began to show results. New advances were made in adult education in the form of tests for self-study, and on-the-job training. New accomplishments were made in the reform of higher education in student enrollment, the post-graduation assignment system, the optimum level structure, the readjustment of specialized facilities, and the strengthening of ideological and political work. Planned parenthood work saw continued implementation of a policy of stringent control over population growth, the province's natural rate of population increase declining from 16.5 to 14.85 per 1,000. Fairly good achievements were made in culture, education, health and sanitation, news, publishing, broadcast television, environmental protection, cultural relics and files, as well as in disaster relief, aid to the needy, and social welfare.

**Gradual improvement of work in the ideological and political fields.** Education in the party's basic line, education in the situation, vocational ethics education, education in the democratic legal system, patriotic education, and national defense education were pervasively developed among the broad masses of cadres and people, and a beginning was made in emphasizing clean government in government agencies. Government at all levels

gradually established and expanded channels for discussion and dialogue with the masses, the political consultative congress, democratic parties, people's organizations, and persons having no party affiliation. Public security, judicial, tax, auditing, and investigative units saw further increases in their staffs for an improvement of their work. A mass campaign of "joint building of spiritual civilization" continued to unfold, and mass self-education, self-control, and self-service organizations such as villagers discussion bodies, ethics appraisal meetings, and weddings and funerals councils spread increasingly, and played an increasingly important role. More work was done in the maintenance of social order, crackdowns carried out according to law against criminals and economic offenders. At the same time, a general clean up of public order was actively launched, with many different kinds of preventive action taken to control outbreaks of cases to protect the basic stability of the social order. Civil government, nationalities, religious, foreign tourist and overseas Chinese, and militia work were improved and new achievements scored. The PLA and people's armed police units stationed in the province made new contributions in assisting economic construction, emergency rescue, maintenance of social order, and the building of spiritual civilization.

**Initial results in improving the economic environment and rectifying the economic order.** Following the 3d Plenary Session of the 13th Party Congress in September 1987, we immediately shifted the emphasis of economic construction and reform to improving the economic environment and rectifying the economic order in accordance with instructions from the CPC Central Committee and the State Council, related them to realities as they exist in the province, and took a series of actions. Results have begun to show after a half year of effort.

The scale of investment in social fixed assets has begun to shrink. Throughout the province, construction of a total of 441 projects under ownership of the whole people and collective ownership has been halted or put on hold, and cutbacks in investment amounting to 1.008 billion yuan have been made. This includes 74 buildings, halls, and other edifices for which investment was cut 232 million yuan. At the present time, the task of taking stock and making cutbacks remains an extremely daunting one.

Turmoil in the commodity circulation field has begun to be controlled. A complete check was made of companies of all kinds, the focus being on solving problems in no separation of government administration from enterprise management, individuals holding concurrent positions in government and business, middleman exploitation, profiteering through the buying and selling of goods, and schemes to make exorbitant profits. As of the end of March 1989, a total of 2,135 companies had been disbanded or merged, 15 percent of the total number. More than 90 percent of companies run by party and government agencies have severed their connections with official agencies, and an overwhelming majority of

cadres holding a concurrent position in a company, including cadres who have resigned or retired, have already left either the business or have resigned from their government jobs. In the course of improving the economic environment and rectifying the economic order, 560 major cases involving violation of the laws and discipline were uncovered, 540 of which have already been dealt with. In addition, control over major products and brisk selling commodities has been increased, and franchising has been instituted for chemical fertilizer, agricultural pesticides, plastic sheeting used as agricultural mulch, color television sets, and some metallurgical products.

Quite good results were made in major inspections of tax collections, fiscal matters, and prices. More than 20,000 violations of discipline and the law involving 460 million yuan were found in the province. A total of 277 million yuan is owing to the treasury, and 230 million has already been paid.

The scale of credit was brought under control, and both city and countryside savings deposits began to climb gradually once again. As of the end of 1988, city and countryside savings accounts had increased by 5.22 billion yuan over the end of 1987, and the scale of both monetary investment and credit investment was controlled within state-set plan. Marked achievements were made through the inventorying of warehouses and the tapping of potential, a 17.7 percent speed up in the turn over of funds resulting. By way of moderating the funds shortage, banks recovered a total of 1.81 billion yuan in overdue loans and other improper loans, recovering 730 million yuan in loans from non-bank financial institutions. In addition to twice increasing interest rates on savings deposits, banks took active measures to encourage savings deposits, including insuring savings, providing savings bonuses, and transferring wages to savings. City and countryside savings accounts rallied rather quickly, and the insurance business also developed substantially.

Simultaneous with a curtailment of overall social demand was a vigorous effort to develop the production of agricultural by-products and industrial wares used in daily life, and active organization of agricultural by-products procurement such as grain, cotton, and edible oil in an attempt to increase effective supply. During 1988, supplies of meat, eggs, vegetables, cigarettes, alcoholic beverages, and pastries during the solar and lunar New Years in 1988 were larger than in 1987, and supplies of light industrial manufactures were also better than in previous years. Thanks to the improvement in the economic environment and the rectification of the economic order, overheating of the economy, and too great a demand were brought under a certain amount of control. Prices of some of the means of livelihood showed signs of decreasing, and both city and countryside markets were basically stable.

While affirming the achievements of the past year, we clearly realize that there are still serious problems and

difficulties to be faced. One is the too great rise in prices. In 1988, the province's overall retail price index rose 18.1 percent over 1987, the greatest rise in a single year in the province during the past 10 years. In particular, there was a great rise in the prices of agricultural by-products and the agricultural means of production, which have a bearing on the people's livelihood. During January and February 1988, the momentum of price rises throughout the province slackened in comparison with the last half of 1987; nevertheless, the degree of rise remains very high. This situation is more than the public, enterprises, and the state can bear, resulting in a decline in the real standard of living of some residents. Second, industrial production, particularly processing industry production, grew too fast during 1987. Too much was invested in fixed assets, and consumption funds increasing widely, outstripping financial, energy, and raw and processed material support capabilities. This created a marked increase in the conflict between social supply and demand, a complete constriction of the economic climate, and very great shortages of coal, electric power, transportation, and capital. Because of the inability to supply needed coal, in January 1988, electric power generation by the southern power grid alone was 41 million kilowatt hours less than during the same period in 1987. This meant that quite a few enterprises had to either halt or cut back production. The severe shortage of working capital during the first quarter of 1989 seriously hurt enterprises' normal production activities. Third, the agricultural foundation is relatively weak. Conflicts between supply and demand of agricultural products are fairly conspicuous; market grain prices remain high with no sign of falling; the gap between supply and demand for cotton is large, and a trend toward decline has appeared in the raising of hogs and chickens. In many places, farmland water conservancy facilities are old and in need of repair, and soil fertility has declined. Supplies of the agricultural means of production are inadequate and expensive, and agricultural production costs have risen while returns have declined by comparison. Fourth is inadequate understanding of the strategic position of science and technology, and education.

Science and technology, and education still lag behind the needs of economic and social development. Quite a few enterprises have not emphasized scientific and technical progress, and the rural service system for the promotion of socialized science and technology needs improvement. A large debt is owing to education, training of personnel not corresponding to the building of the four modernizations. Fifth is a fairly large number of social order problems and factors contributing to instability. In some places, criminal activities run rampant, and the public lacks a feeling of security. In quite a few places, feudal superstition, and organized gambling flourish, and social evils have raised their head to disturb social order and damage the physical and mental health of the public. Sixth is the existence of corruption among the cadre ranks in government agencies. A small number of cadres abuse authority for private gain, practice

corruption and accept bribes, and sell their authority for money. This damages the government's reputation, and hurts relations between the government and the people. In some units, work is lax, arguments over trifles occur, and work efficiency is very low. They even purposely put stumbling blocks in the way to create work difficulties for those at a lower level.

Difficulties and problems in the province's economic life have risen in the course of economic construction and reform. Objectively, the province is affected by the overall climate throughout the country, but it is also limited by the straitened financial circumstances, enterprises' lack of funds of their own, and an irrational economic structure that has existed for many years. Subjectively, shortcomings and mistakes have been made in guiding work. After the incumbent government took office, one matter given a fair amount of thought was the weakness of the province's economy, which is not in keeping with the status of a large province. We thought a great deal about getting more funds, starting more projects, and speeding up economic development, particularly industrial development. We were anxious for success. Guided by this kind of thinking, there seemed to be a fairly large number of conditions favorable for economic development, and we did not sufficiently take into account the province's unfavorable conditions in a large population, little accumulated wealth, and little "per capita" everything. When the CPC Central Committee made the decision to improve the economic environment and rectify the economic order, we made a detour and put on the brakes in both our thinking and our work. We did not have sufficient understanding about the difficulties in improving the economic environment and rectifying the economic order, and we failed to take attendant actions in certain regards. This created passiveness in work. Under commodity economy conditions, we spent a great deal of energy solving problems in microeconomic activity, but we did not sufficiently study the problem of strengthening macroeconomic regulation and control. Specifically, problems having to do with the overall situation such as readjustment of the economic structure, the pattern of productivity and overall balance, as well as the formulation of industrial policies were not elevated to the agenda of important things to do. It was impossible to form and perfect workable implementation plans promptly, and this led to flaccid macroeconomic regulation and control, and certain ill-advised and chaotic situations in microeconomic activity. We lacked effective policies for favoring agricultural production. In comparison with the attention we gave to economic work, we did not give sufficient attention to, and we spent too little energy on, the building of spiritual civilization, and on education in ideas, discipline, and ethics. Forceful actions for building clean government were lacking. In the maintenance of social order, the emphasis was on crackdowns, and insufficient reliance was placed on the masses and on strengthening comprehensive control.



Delegates, in reviewing the work of the past year, we have a profound sense that we will have to go through many hardships. We will have to continue to carry out unswerving policies to improve the economic environment, rectify the economic order, and deepen reform, working with one heart and one mind to improve the economic environment and rectify the economic order. During the previous stage, we did a lot of work in improving the economic environment and rectifying the economic order, but the tasks we face are still very daunting. We not only intend to solve problems of overheating in various regards during economic construction through improving the economic environment and rectifying the economic order, but we also want to take firm hold of this opportunity to do a good job in readjustment of the economic structure, make full use of the province's advantages, strive to increase economic returns, and increase effective supply in accordance with the policy that the State Council has decided. Improving the economic environment and rectifying the economic order is, in reality, a fairly large readjustment. Whatever should be curtailed, should be curtailed with determination as the only way of making it possible to increase whatever should be increased. Simultaneous with our curtailment of overall social demand, we should uplift agriculture, uplift energy, transportation, communications, raw and processed materials, and certain urgently needed items, and uplift science and technology. This will require a lot of arduous work. For this reason, we should not overestimate the achievements won during the previous stage of improving the economic environment and rectifying the economic order. We must guide the people of the whole province in a further deepening of their understanding of the policies of the 3d Plenary Session of the 13th Party Congress, and to a full understanding of the necessity for, and the arduousness of, improving the economic environment and rectifying the economic order. We must genuinely shift the focus of both the guiding thought and actual work to improving the economic environment and rectifying the economic order, both facing difficulties squarely and guarding against blind optimism, and overcoming fears of difficulties, increasing confidence, getting the whole province from top to bottom to work together with one mind. We must strive to realize the six goals of improving the economic environment and rectifying the economic order that Premier Li Peng enunciated at the 2d Session of the 7th National People's Congress [NPC], to put economic construction throughout the province on a healthy path of development.

## **II. Need for Wholeheartedly Carrying Out Improvement of the Economic Environment and Rectification of the Economic Order During the Coming Year**

Improvement of the economic environment and rectification of the economic order are the focus of economic construction and reform during 1989 and 1990, as well as the focus of government work at all levels. During the coming year, we will earnestly carry out the spirit of the 13th Party Congress and of the 3d Plenary Session of the 13th Party Congress, diligently carry out the spirit of the

2d Session of the 7th NPC, persevere in developing a socialist commodity economy with one hand, and giving attention to work in the ideological and political fields with the other, highlighting improvement of the economic environment and rectification of the economic order in economic construction and reform. In economic work, stringent attention is to be placed on the key areas of increasing returns and readjusting the structure, doing a conscientious job of readjusting and controlling the macroeconomy, deepening development of the "double increase and double economy" campaign to maintain appropriate growth, and advance sustained and stable development of the national economy and various social endeavors.

### **A. Unflinching Restriction of Social Demand for Rectification of the Economic Order**

The current focus in improving the economic environment and rectifying the economic order remains curtailment of overly vigorous social demand. Effective restriction of total social demand requires, first of all, a decision to restrict the scale of investment in fixed assets. To meet requirements in improving the economic environment and rectifying the economic order, the provincial government decided that the amount of investment in social fixed assets in the province during 1989 should be restricted by more than 30 percent of the actual investment made during 1988. The key to the realization of this objective lies in continuing to do a good job of taking stock of construction projects. All units everywhere must strictly abide by State Council-promulgated industrial policies, cataloging construction projects underway. They must also abide by relevant regulations of the provincial government to carry out an inventory of projects under construction, decide to make cutbacks, and cut out projects for the construction of high buildings, halls, and other edifices, and non-productive construction. Resort to deception is positively not to be permitted. In the preservation of key projects, most important is to protect productive projects, but associated and ancillary facilities should be closely examined to curb investment. A good job should be done on follow-up work attending construction that has been halted or delayed so as to reduce losses to the minimum. Macroeconomic readjustment and control must be increased with regard to investment in fixed assets throughout society, both investment within plan being controlled, and investment outside of plan and outside of budget also being controlled. Newly begun projects will have to be strictly examined for approval. While taking stock and curtailing construction projects, priority must be given in terms of money, energy, raw and processed materials, and construction workers and equipment to key capital construction and technical transformation projects that the state and the province have chartered, insuring that they go into production on time in order to increase reserve strength. Three kinds of partially or wholly owned enterprises and technology import projects for which contracts have already been signed should continue according to contracts, going



ahead conscientiously with construction. Accompanying the contraction of investment in fixed assets will be diligent restructuring of construction markets, readjustment of the structure of the construction corps, and doing a good job of transferring laid off personnel to other production and finding jobs for them.

Strict control over the overly rapid growth of consumption demand. This will entail conscientious implementation of pertinent State Council and provincial government regulations, a determined contraction of the purchasing power of social groups, centralized examination and approval of limits of authority, greater control to limit purchases, strict financial and economic discipline, and the building of leadership responsibility systems to insure a 20 percent decrease in purchasing power from the 1988 level. Staff member and worker wage funds are to be effectively controlled and managed, all issuances of bonuses, materials goods, and subsidies checked and restructured. In particular, wages and bonuses of all categories of companies are to be checked thoroughly to close all gaps for increasing consumption funds in this regard. Management and supervision of enterprises' own funds is to be intensified, and self-restricting mechanisms for enterprise wage distributions strengthened to overcome short-sighted actions. Labor, banking, public finance, auditing, and tax units control functions are to be made stronger; social supervision and limitations on wage funds are to be increased, and state regulations on taxing bonuses and wage adjustment taxes are to strictly followed to restrain the overly rapid growth of consumption funds. Existing social consumption demand is to be actively channeled and dispersed. Widespread and pervasive ideological and political indoctrination is to be given, and various methods used in vigorous advocacy and encouragement of savings, and the correct channeling of consumption to absorb and delay excess social purchasing power in an effort to ameliorate the conflict between market supply and demand.

The emphasis in the restructuring of the economic order is on restructuring of the tumultuous situation in the field of commodity flow. We must do a good job from start to finish in checking and restructuring companies. When problems are found, they should be properly handled in accordance with pertinent regulations. Large and important cases, in particular, should be investigated and dealt with. A good job should be done in looking into and restructuring of company inspections and examinations preliminary to acceptance of completed work. Companies found through examination to meet requirements are to be re-registered, new business permits issued to them, and their operating policies and scope spelled out. All companies must set up and perfect fiscal systems, strictly abide by the laws and discipline, and operate in a civilized way. Supervision and control of companies is to be increased to enable companies to take a healthy road to development. The founding of new companies must follow strict examination and approval procedures in order to prevent a situation in which some companies are pared down only to have others inflate.

Effective actions should continue to be taken to increase price and market controls to insure that price indices during 1989 will be markedly lower than during 1988. Very many factors are still operating to cause price rises at the present time, so the task of controlling prices is a rather daunting one. Government at all levels has to have an unshakable attitude about controlling prices, and must constantly act without let up. Responsibility systems with the goal of controlling prices should continue to be implemented, price control objectives throughout the province being broken down and assigned to individual prefectures and cities. Government offices in each prefecture and municipal governments should conduct monthly checks and contract responsibility. Prices of daily necessities must be resolutely stabilized, and necessary financial subsidies assured. Matches, soap, laundry powder, pure white cotton cloth, salt, and sugar, which are daily essentials, are to be centrally approved for issue under a centralized plan by state-owned businesses, supply and marketing cooperatives, and designated production units. Other units and individuals may not deal in them. For sensitive industrial wares and industrial wares in very great demand, as well as durable consumer goods, rational circulation channels should be prescribed, and fair local, import sale, and retail price differentials should be set that state-owned, collective, and individual dealers must conscientiously be put into effect. Guidance and control must also be strengthened over commodities for which there are no restraints, a strict system for reporting price rises established. For some daily necessities, a maximum price limit will be set when necessary, and those who refuse to enforce the maximum price limit will be severely punished. Industrial and commercial administration, price, tax, weights and measurements, technical monitoring, and quarantine units should improve organization, control, guidance, and supervision of all categories of markets, and put in place strict responsibility systems. They should act severely, resolutely cracking down on all who try to dominate markets, engage in illegal dealings, exploit their middleman position, drive up prices, disturb markets, and practice adulteration, illegally selling fake, fraudulent, imitation, and inferior commodities. The role of main state and joint venture business channels is to be more fully used. A good job is to be done in the franchising of major means of production, rectifying and improving the methods whereby important commodities flow. Franchising units are to enforce strict state-set franchising methods and pricing policies, promptly study and solve problems that arise after franchising, take genuinely effective action, resolutely stabilize the prices of agricultural means of production, and resolutely guard against the use of a monopoly position to garner private profits. When such problems come to notice, they are to be investigated at once and dealt with severely.

#### **B. Use of All Available Means To Harvest Bumper Crops**

Vigorous development of agricultural production and increase in market supplies of agricultural products play

an extremely important role in controlling price rises and stabilizing the overall economic situation. Inasmuch as Hebei Province has a large population and little cultivated land, the development of agriculture must concentrate on the production of major farm crops such as grain, cotton, and edible oil crops, while simultaneously maintaining stable development of other crops as well as forestry, animal husbandry, and the fishing industry. This year, by implementing CPC Central Committee and State Council decisions on the harvest of bumper crops, government at all levels has placed the development of agriculture in an important position, formulating tilt policies that help the development of agriculture, organizing all trades and industries to support agriculture, and further buttressing the basic position of agriculture. By way of stirring peasant enthusiasm for increased production of grain and cotton, the State Council decided this year to increase the contract fixed procurement price of grain and cotton, and to increase the amount of chemical fertilizer linked to grain and cotton sales to the state that one could purchase. In most parts of the province, substantial amounts of water have been impounded, and the building of farmland water conservancy has produced rather good results. These are all favorable conditions for bringing in a bumper crop. We should fully appreciate these favorable conditions, strengthen confidence, overcome difficulties, take genuinely effective action, take firm hold of the year's flood prevention and drought resistance work and, provided no major natural disasters strike, harvest a total of between 20.5 and 21 million tons of grain throughout the province in 1989, more than 8.5 million tons of it summer grain. The cotton-growing area should be maintained at 13 million mu, and the gross output of ginned cotton at 675,000 tons. Gross output of oil-bearing crops should be 720,000 tons. Greater gains should be made in afforestation. Preferential policies should continue to be used to support hog and chicken production. Agricultural areas on the plain should make full use of crops stalks and stems in the vigorous development of herbivorous livestock and poultry. Full use should be made of seacoast beaches and inland water surfaces for the development of an aquatic products breeding industry. The vegetable field area should be further stabilized, and production that protects the land developed, a good job being done in vegetable production and supply.

Overall improvement of returns from agriculture, and tapping of agriculture's inherent potential are problems requiring efforts for solution in the development of agriculture. In the case of Hebei Province, there is very great potential for the use of science and technology to improve economic returns in farming, aquatic products breeding, the forestry and orchard industry, and in processing industries. Model planting techniques should be used in the growing of wheat and corn. In cold mountain regions, the use of plastic mulch or nutrient pots to grow seedlings can greatly increase yields per unit of area. Soil testing for the purpose of prescribing scientific fertilization can produce manifold increases in fertilizer effectiveness. Promotion of water conserving

irrigation methods can effectively improve the water utilization rate. Scientific feeding of hogs, sheep, and goats can greatly increase the removal from inventory rate. Development of the family courtyard economy, and development of land resources are also very worthwhile. All prefectures and cities should diligently analyze local advantages, do economic zoning on the basis of different characteristics, spell out the main directions of attack, and build commodity bases in a planned way for the formation, step by step, of an integrated system of production, processing, storage and transportation, and sales. Construction projects should be launched in the same way as engineering projects, with the establishment of responsibility systems, painstaking designing and construction being done, each particular being attended to, and each system completed one at a time, unflaggingly producing results.

In the development of agricultural production and improvement of economic returns, the family contract system linked to production has to continue to be stabilized, and a good job done in providing socialized services. At the present time, the rural cooperative service organization needs further improvement, beginning with the services that the peasants need most and helping solve real difficulties in family farming, going on to provide companion services in the form of information, buying and selling, and techniques, gradually undertaking production services, contract management, capital accumulation, and the organization of farmland capital construction. At the same time, the peasants should be widely aroused to operate, either alone or jointly, numerous specialized service organizations. Economic and technical units at all levels should further improve service functions, and expand the scope of services, organizing systematized services for the dominant local industries. All trades and industries should strive jointly for the gradual building of a complete service system in which science and technology hold a leading position, and in which supply and marketing cooperatives provide backing to bring together rural financial, credit, and insurance strength and township enterprises.

The dissemination of all sorts of applied techniques is a measure for increasing production that requires a fairly small amount of investment and that shows results fairly rapidly. Agricultural scientific and technical personnel at the county level and above should be organized to go to rural villages to provide scientific and technical services and technical contracting. Practice has shown in recent years that the practice of group contracting, many entities and many fields of learning working together, personnel in technical specialties and technical peasants working together, and technical guidance and material supply being provided is helpful in drawing on strengths in one area to remedy weakness in another, close cooperation, and making better use of group advantages to advance the overall development and application of agricultural techniques. It helps surmount difficulties resulting from dispersed individual family activities,

taking science and technology as a link for promoting development of economies of scale. The provincial government has decided that agricultural departments under direct provincial jurisdiction will release at least one-third, prefectures and cities will release one-half, and counties will release two-thirds of their agricultural science and technology personnel during 1989 to work with local administrative cadres, rural technology promotion stations, and relevant units to organize various kinds of contracting groups. One group can contract with several villages or several villages for as much as several years at a time, closely integrating technology promotion, scientific and technical services, and scientific and technical contracting with "bumper harvest plans," "vegetable basket projects," and "food and clothing projects", thereby enabling the spread and application over a wider area of applied techniques urgently needed in rural villages.

Use of multiple channels to increase investment in agriculture is an urgent need for increasing agriculture's reserve strength. The provincial government has decided to increase investment in agriculture during 1989 by 50 million yuan above the 1988 investment, and prefecture, city, and county governments have correspondingly increased funds for agriculture. In addition, all levels have set up agricultural development funds by pooling funds through many channels as the State Council prescribed. Hai He Plain development and import funds, and state investment local matching funds will be tremendously increased during 1989. Agricultural banks at all levels will actively obligate funds to increase agricultural credit by 1.1 billion yuan. Payment must be made for the use of all agricultural funds, and such funds must be rolled over to gain optimum economic benefit from them. Even more important in increasing investment in agriculture is proper channeling of peasant consumption, and reliance on peasant capital accumulations and labor accumulations to build farmland water conservancy projects and develop agricultural resources. Very great potential exists in this regard. The State Council and the provincial government have ruled that each worker in rural areas is to invest 10 to 20 days of labor annually to farmland capital construction. Some counties in the province have used 30, and some only 1 or 3 days. By using cumulative labor to the full to terrace fields and dam ponds in mountain areas, and to build water conservancy projects in plains areas, agricultural conditions can be greatly improved, and agriculture's reserve strength greatly increased. Since the founding of the PRC, cultivated land in the province has decreased by more than 10 million mu. During the past several years, all jurisdictions have developed resources to gain 9 million mu of various kinds of land for use. During 1989, another approximately 1.5 million mu will be developed, approximately 200,000 mu of which will be cultivated land. With 3 to 5 years effort, the cultivated land lost since founding of the people's republic will be effectively made up. Land control has to be genuinely strengthened, the "Land Control Law" rigorously enforced for a resolute halt to indiscriminate takeovers of arable land.

Major efforts must be devoted to developing and regulating agriculture in the Hai He basin and on the Hai He Plain, the emphasis during 1989 being on transforming 3.7 million mu of medium and low yield fields. In the investment of material resources, the provincial government has decided that all the output of top quality chemical fertilizer from five large and medium chemical fertilizer plants is to be centrally distributed. Positive actions will be taken to increase production and procurement of agricultural pesticides, plastic mulch, and diesel fuel for use in agriculture to improve the short supply situation. In addition, peasants are to be encouraged to increase fertilization using farmyard manure, which not only improves soil structure and increases soil fertility, but also reduces costs and increases benefits.

In the course of improving the economic environment and rectifying the economic order, accurate estimates have to be made of the role of township enterprises. The rise of township enterprises in the province in recent years has effectively assisted the development of agriculture from both a financial and a material standpoint. It has hurried the pace at which rural villages are able to escape from poverty to become wealthy, has provided large amounts of capital for the development of rural education, culture, and welfare, and has played a major role in ameliorating county financial difficulties. Township enterprises have currently become not only an important mainstay of the rural economy in the province, but also occupy a decisive position in the entire national economy. During the period of improving the economic environment and rectifying the economic order, township enterprises should respond to the requirements of macroeconomic regulation and control, and market needs to emphasize good enterprise management, advancing technological progress, and improving economic returns. Appropriate guiding of regional centralization, development of small rural industrial zones, further optimization of the structure of industry and the make-up of products, vigorous development of agricultural by-products processing and raw and processed materials products, as well as of export products to earn foreign exchange, and of associated products for cities are tasks to be achieved. In a situation of tightened credit, personal accumulations and peasant pooling of funds has to be relied upon to solve the problem of a capital shortage to insure the steady development of township enterprises.

Today, 6 percent of the province's rural population still has a per capita net income of only 200 yuan per year, meaning numerous difficulties in production and livelihood. Further work must be done to alleviate poverty, and to help the old, the young, and people living in remote and poverty-stricken areas (including mountain regions and flatland areas) to do a good job of economic development, development and the alleviation of poverty being part of a common effort to enhance the inherent economic vitality of poverty stricken areas. Greater investment must be made in science and technology, and in human intellect, funds for good management and good use coming from various channels.

Prefectures, cities, and counties should organize capable cadres to go into poverty stricken villages to help put them on the road to prosperity and transform their appearance as quickly as possible. In addition, a genuinely good job must be done of rescue work in disaster-stricken areas.

### C. Insure Appropriate Growth of Industrial Production

In the course of improving the economic environment and rectifying the economic order, once industrial production has improved economic returns, a suitable speed of growth must be maintained as an important way of increasing public revenues and increasing effective supply. Inasmuch as Hebei Province produces a large amount of upscale industrial products, and carries a heavy burden of state command plan quotas, a 10 percent rise over 1988 in the 1989 gross output value of industry should be about right, including 8 percent growth in industry at the township level and above. Many difficulties will have to be faced to attain this growth, the most prominent of which are the shortage of coal, electric power, capital, and raw and processed materials. Overcoming these difficulties to pursue development will require that major efforts be devoted to readjusting the industrial structure, improving enterprise management, launching campaigns to increase production while economizing, and tapping potential to the full, limited energy, capital, and raw and processed materials thereby playing a greater role.

An irrational internal structure in industry, sluggish development of energy industries, backward technical facilities, few highly processed and highly technical products, low production efficiency, and a low degree of specialization are major elements restricting the development of the province's industry and improvement of economic benefits. In the course of improving the economic environment and rectifying the economic order, a key issue deciding whether the province's industry will be able to take the road of its own development will be readjustment of the structure. If it is readjusted well, it will be possible to maintain appropriate growth and increase economic benefits; otherwise, it will be difficult to extricate ourselves from a predicament. This not only concerns the survival and development of enterprises, but also concerns the prosperity or failure of industries throughout the province. We have to seize the opportunity, meet the challenges, and concentrate financial and material resources to support key industries, key enterprises, and key products and make the industrial structure rational. Emphasis should go to increased outputs of energy, raw and processed material products, essentials in the daily life of the people, readily marketable textiles and light industrial products, products that support agriculture, foreign exchange earning exports, and high quality durable consumer goods. Enterprises and products that consume large amounts of energy, products that are poor in quality, do not sell well and accumulate in inventory, and cause serious pollution should be restricted, or their production prohibited. In planning for electric power, capital, raw and processed materials,

and transportation, tilt policies should be instituted. In the coal industry, some new mines should be opened as quickly as possible, and old mines renovated and expanded to increase production capabilities. In the electric power industry, firm grip should be taken on the construction of new generating units. The 925,000 kilowatt installed capacity southern power grid should go into production as soon as possible during 1989, and attention should also be given to the development of hydropower and thermal power plants. Highway construction should be increased; the arteries used for hauling Shanxi coal should be improved, and highways should be upgraded to expand their capacity. In the current organization of production, large and medium-sized enterprises and large firms that pay high profits and taxes should be protected first. During 1988, the number of industrial enterprises within local budget that realized profits and taxes of more than 10 million yuan increased to 71. These large firms are a mainstay of the province's financial income, and during 1989 they should continue to be the focus for increasing output and increasing earnings. They should be given tailored guidance, policies suited to individual plants, and be supported in every way to spur these large firms to make new advances in payment of profits and taxes.

Management is backward in quite a few industrial enterprises in the province; circulating funds turn over slowly; equipment utilization rates are low; consumption of materials is high; and economic returns are poor, causing extreme waste. In 1988, Hebei Province consumed 7.65 tons of standard coal per 10,000 yuan of output value, higher than the national 2.8 ton average. It consumed 4,485 kilowatt hours of electricity per 10,000 yuan of output, higher than the national average of 1,075 kilowatt hours. Though this is related to the fairly large amount of heavy industry in the province, it also shows that there is very great potential for improved enterprise management, lowered consumption, and improved benefits. The province's industrial enterprises consume 21 million tons of standard coal each year. Were coal consumption lowered to the national average, a saving of 7.7 million tons of standard coal could be realized. This is an appreciable figure. Therefore, we have to stress improvement of the quality of managerial personnel and staff members and workers as a whole, requiring returns from both management and technology. We have to inspire staff members and workers, rigorously rectify plants, and guide enterprises in improving basic management, while simultaneously vigorously promoting all-around quality control, complete economic accounting and other modern management methods, and promote advanced management experiences including "full load work methods," and "in-house banks." Methods for providing bonuses for saving energy, and raw and processed materials should be perfected, improvement of quality, and lowering of consumption being linked to staff members' and workers' personal benefits. Power plants should be encouraged to mix in intermediate and poor quality coal for burning, and enterprises should be encouraged to use off-peak electric power, and high

energy consumption firms must be really leaned on to lower consumption. During 1989, industrial enterprises throughout the province will be required to lower total energy consumption by 3 percent per 10,000 yuan of output value, reach a more than 70 percent consistent reduction rate for raw and processed materials, fuel, and power for important industrial products, and a more than 80 percent steady rate of increase in the quality of major industrial products. In addition, safety education is to be improved, attention given to safe production to prevent terrible major accidents. Use of labor outside of plan is to be curtailed; a good job is to be done of inventorying warehouses and making beneficial use of them to reduce excess accumulations in inventory, and to speed up the turn over of working capital. Establishment of an examination and evaluation system for enterprise management, principal management norms for all prefectures and cities, and for all industries to be published regularly in an effort to create a number of second level national enterprises and advanced provincial level enterprises, raising enterprise management to a new level.

Continuing efforts should be made to hasten the technical transformation of key industries and key enterprises in accordance with the requirement to make structural readjustments, actively introducing advanced foreign technology, and doing a good job of digesting, assimilating, copying, creating, and steadily researching and developing new products. Plans call for the development during 1989 of 1,500 new products at the prefecture and city level in an effort to raise the level of technical equipment and the market competitiveness of the province's enterprises.

Producing coal to insure supplies of electric power are important and urgent tasks in industrial production during 1989. On the basis of minimum needs for electricity in agricultural production and daily life, the southern grid will have to generate 19.2 billion kwh of electricity in 1989, but nearly 4 million tons, or one-third of total needs, are lacking for power generation. Effective solution to this problem that affects the overall situation will require the provincial government to set up a coordinated leadership team for coal, electricity, and transportation, and to assign specific tasks to prefectures and cities, departments, and enterprises concerned. We will have to study the formulation of some policy actions to encourage coal enterprises to exceed production plan fulfillment, and organize forces to get more coal from outside the province. We will have to encourage power plants to do a good job in maintaining and repairing existing power generating units so that they can safely generate power consistently, to the full extent, and beyond their capacity. We must also strive to decrease factory power consumption. In view of the fairly numerous difficulties in industrial production during 1989, the provincial government and all prefectures and cities, as well as all departments should strengthen leadership, and do a good job of coordinating and

scheduling to help enterprises solve problems in production and management at once to insure fulfillment of production plans.

#### **D. Further Good Performance of Fiscal and Banking Work**

Aggregate revenues for the province for 1989 are estimated at 6.8 billion yuan, a 420 million yuan increase over 1988 in comparable terms. However, because of the fairly numerous new increased expenditures, the fiscal expenditures gap is very large, a more than 200 million yuan fiscal deficit forecast for 1989. In order to insure stable economic growth and basic needs in all regards, vigorous efforts will have to be made to do a good job in increasing revenues and economizing expenditures. First is efforts to improve economic returns, actively fostering sources of wealth. While insuring proper increases in production, the emphasis of tax work must be placed on helping enterprises improve administration and management and promote technical progress to improve economic returns. Active support should be given enterprises to increase output of readily marketable products to increase returns, enlarge accumulations, and enhance self-development capabilities to make a greater contribution to increased fiscal revenues. In addition to taking firm grip on increasing output and increasing income from firms that produce large amounts of profits and taxes, emphasis must be placed on turning losses into profits in failing enterprises, instituting leadership responsibility systems to work at reversing losses, and linking loss reversal and profit increases to the vocational and material interests of cadres. Efforts should be made to reduce industrial enterprise loss figures by between 5 and 10 percent during 1989. Second is better tax revenue collection and control, regulating taxes strictly according to law. The State Council's "Decisions on Rectification of the Tax Revenue Order and Strengthening of Tax Revenue Administration" must be conscientiously carried out, the tax code vigorously publicized, tax revenue laws and discipline strictly enforced, and township enterprise, private enterprise, and individual economy tax revenue collection and control methods perfected. Collection of use taxes for cultivated land, farming and forestry special products taxes, and individual income regulation taxes must be done conscientiously. All individual enterprises must set up ledgers for supervision and inspection purposes. All tax reduction and profit concession policies must be conscientiously clarified, all cases where authority has been exceeded in the granting of tax reductions or exemptions, or where reductions and exemptions have been improperly granted should be corrected at once. All units and individuals must pay taxes according to law, and tax cheating, tax evasion, and refusal to pay taxes is to be diligently investigated and punished. Establishment of more tax revenue agencies, building up personnel strength, and perfecting networks to make sure that all taxes that should be collected are collected are other tasks to be done. Third is sensible readjustment of the pay out structure, strictly controlling fiscal expenditures.

The provinces' straitened financial circumstances are fairly serious. More and more money is used for subsidies, the amount reaching 2.3 billion in 1988, of which 1.25 billion was used for staple and non-staple food subsidies. As a result, the amount of money available for construction and running things is becoming an increasingly small percentage. Everyone has to establish a belt-tightening psychology. This year, except for expenditures that must be maintained and appropriate increases in expenditures for agriculture, education, and science and technology, all other expenditures, including all subsidies must be looked into, restructured, and curtailed, the emphasis being on curtailment and control of consumption by social groups. It is necessary to take genuinely effective actions, strictly control increases in agencies and staffing, strictly control the total wage bill, and call a resolute halt to indiscriminate issuance of bonuses and goods. Funds outside of budget must be more strictly controlled. At the end of 1988, the province's funds outside of budget exceeded fiscal budget revenues for the year. In accordance with State Council regulations, some funds used primarily for agriculture, science and technology, and education, and for balancing the fiscal budget should be centralized. At the same time, a needed examination and approval system, and management methods should be established, and plan guidance enhanced for effective control and supervision of the way unbudgeted funds are used and their amount.

In improving the economic environment and rectifying the economic order, money will continue to be tight, and financial investment strictly controlled. In Hebei Province, industrial and commercial enterprises have relatively little working funds of their own. For industrial enterprises within budget, 80 percent of the working capital comes from loans; for national joint business and foreign capitalized enterprises, it is 90 percent or more. Objectively speaking, this intensifies bank credit fund supply conflicts, while simultaneously reducing the province's financial revenues. The state-prescribed monetary investment control quota for Hebei Province for 1989 is 3.7 billion yuan, 43 percent less than the actual investment in 1988. The maximum limit on credit is 3.84 billion yuan, 39 percent less than the actual amount for 1988. For the province's national economy to maintain proper growth, an approximately 6.7 billion yuan credit increase is required, meaning there is a nearly 3 billion yuan funds shortfall. Under these circumstances, how to keep the total amount of funds under control while maintaining the supply of needed funds is a difficult problem in current economic life, and it is also a major task facing us. One effective way to ameliorate the conflict between supply and demand for funds is widespread gathering together of funds available in society. Today, approximately somewhat more than 10 billion yuan is in the hands of people living in cities and the countryside throughout the province. Effective measures should be taken to do all possible to translate a portion of these funds into protected production and construction funds. The country has already increased savings

account interest rates. We must take action to increase savings in various ways including insured savings, bonus savings, joint bank and enterprise savings, deposit of wages in savings accounts, and issuance of wage substitutes to build up funds in savings accounts and increase banks' regulatory capabilities. In addition is further development of a solid insurance industry. Second, bank credit must be readjusted along with the industrial structure and the product mix, funds investment optimized, the superior helped along and the inferior curtailed. Third is vigorous recovery of overdue loans. There are almost 3 billion yuan in overdue bank loans in the province. Recovery of these funds within a certain period of time can play an important role in moderating funds supply and demand problems. Encouragement measures should be adopted to get banks and local governments at all levels to push for recovery of overdue loans. At the same time, banks should work closely together with judicial authorities to recover loans in accordance with law, those who are able to pay but who have delayed payment for a long time being severely dealt with. Fourth is use of all available means to tap funds potential. Currently there is 57 billion yuan in surplus funds in banking institutions throughout the province, and every day 3.7 billion yuan are on the float pending settlement. A very great potential exists for speeding up the turnover of funds. Control over working capital should be improved, new accounting methods being actively improved and promoted, all possible being done to reduce all sorts of improper uses of funds and serious payment delays among enterprises. Efforts should be made to reach the goal of speeding up the turnover of fixed amounts of working funds by 4 percent, striving to improve funds utilization efficiency. Control over cash should be genuinely strengthened. When individuals delay payment of public funds for a long time, the matter should be looked into, and a time set for repayment.

Enterprises' pooling of funds should be neither completely stifled nor given a completely free hand. Such activities should be guided, and control over them increased. In this connection, the provincial government has formulated control methods that require that enterprises' pooling of funds has the effect of supporting production, limiting consumption, and fostering a sense of responsibility as master in one's own house among staff members and workers so that they love their factory like their home.

#### **E. Deepening Reform Centering Around Improvement of the Economic Environment and Rectification of the Economic Order**

Improving the economic environment and rectifying the economic order is premised on maintenance of the overall orientation of reform, and the deepening of reform has to be closely linked to improving the economic environment and rectifying the economic order. The emphasis this year is to be on perfecting and developing various reform measures that have already

occurred, giving prominence to the key links of enterprise reform and improvement of macroeconomic readjustment and control in order to advance the development of production, increase effective supply, and avoid the possibility of economic stagflation.

The focus of enterprise reform is on further improvement and development of contract management responsibility systems, perfecting the factory director responsibility system, reconciling internal enterprise leadership relationships, and fully arousing the enthusiasm of cadres, staff members, and workers. It is necessary to promote selective appointment of cadres, optimized labor groups, and pledge contracting by all personnel. Enterprises whose period of contracting expires at the end of 1989 should conscientiously dovetail contracting with the next contract period. No matter whether doing rollover contracting or contracting that calls for tenders, the advanced character and the scientificness of contract quotas is to be upheld. Once enterprises have contracted, most of the profits resulting from rises in product prices are to be regarded as enterprise venture capital; in no case are they to be divided among individuals. The focus in perfection of the contracting system today should be on large and medium-sized state-owned enterprises, particularly those making large profit and tax payments, such enterprises being enabled to make new contributions in improvement of economic returns. Strengthening and improving ideological and political work in enterprises, fostering enterprise spirit, and increasing staff member and worker sense of responsibility at being masters in their own house is necessary. Simultaneous with perfection of enterprises' competition mechanisms and risk mechanisms should be the institution of democratic management and regular auditing systems for a strengthening of enterprises' self-restraint mechanisms. Lateral economic associations should continue to be developed, enterprise mergers actively advanced, special emphasis being placed on fostering and nurturing large enterprise blocs in the metallurgical, Chinese herbal medicine, huanyu [3883 1342], reclamation of agricultural land, and motor vehicle fields in the optimization of organizational structure of the province's enterprises. Trials should be steadily conducted on the application of the stock share system, primarily to enterprises under public ownership, in accordance with pertinent state-promulgated laws and regulations to guide the fledgling stock share economic form to the path of a standard stock share system. Implementation of the stock share system as a pretext for nibbling away at state assets and expanding distributions to staff members and workers should be zealously guarded against. Government and departments at all levels must earnestly change functions in accordance with requirements of the "Enterprise Law," promote a separation of government administration and enterprise management, conscientiously solving problems of usurpation of enterprise powers, percentage taking and usury, indiscriminate exactions, and frequent inspections, and strengthening a sense of service in order to create conditions for enterprises taking charge of their own affairs. Enterprises are to execute their decision

making authority correctly, observing pertinent regulations and policies in a model way, restrain the tendency for consumption funds to outstrip increases in production, and overcome shortsighted activities that run counter to enterprises' responsibilities, such as offhandedly writing off costs, falsifying losses and profits, and making unwarranted distributions of profits. In addition to deepening enterprise reform is the need to foster the growth and perfection of market mechanisms and continue to take firm grip on the restructuring and reform of the commodity flow, foreign trade, taxation, finance and banking, materials, and food procurement and marketing systems, exploring the substance and methods for building a new socialist commodity economic order.

Enhancement and improvement of macroeconomic readjustment and control is a major ingredient in the deepening of reform during 1989. Economic, administrative, legal, disciplinary, and ideological and political methods should be comprehensively applied to improve the building of the macroeconomic control system. One thing required is the formulation of national economic and social development plans that blanket society in accordance with state centralized industrial policies, taking into overall account major proportional relationships, genuinely increasing industrial control, centrally coordinating and applying various regulatory methods, and organically combining industrial policies and macroeconomic readjustment and control objectives to promote overall economic balance and general structural coordination. Second is full use of bank's macroeconomic regulation and control functions, conscientious drawing up of credit plans for the whole society, placing bank credit activities and debenture, stock share and fund raising under plan control, regulating the way in which credit is used, controlling currency investment, improving the inter-bank final settlement system, and improving the funds utilization rate. Third is bolstering the regulatory role of government tax revenues. Measures such as the collection of budget regulation funds and intensifying inspection and supervision over tax reductions and exemptions may be used for the appropriate concentration of financial resources. Also needed is better control over funds outside of budget, and further perfection of special savings methods for administrative institutions and responsible units. Control methods must also be further formulated and guidance provided for the use of funds that enterprises own to halt the expansion of consumption funds. Fourth is restriction of the too rapid growth of consumption demand to moderate unfair distributions in society. Methods for linking enterprises' total wage bills to profits and taxes paid should be perfected and improved, duplicatory norms should be rigorously checked, and loopholes plugged for the indiscriminate issuance of bonuses or goods, and well as the use of arbitrary price rises that shift the load to consumers. Revenue collection methods should be applied to the regulation of individual earnings. Fifth is reform of the investment system, formation of investment companies, placing different investment categories and different sources of investment funds



under control of different kinds of plans. Sixth is the establishment of a statistical and macroeconomic monitoring indicator system, maintaining a system of monthly and quarterly publication by prefecture of eight major economic indicators in order to enhance the scientificness and the effectiveness of macroeconomic regulation and control. Central government and provincial macroeconomic regulation and control measures are to be diligently implemented, the unimpeded execution of government orders insured. Related to the enhancement of macroeconomic regulation and control is the active channeling of excess purchasing power in society, such as through the sale of publicly-owned houses, the auctioning of small state-owned enterprises, and experiments with transfers for compensation of use rights to some state-owned land, and rural use for compensation of dwelling foundations.

#### **F. Active Development of Scientific and Technical Education**

Fundamentally speaking, vigorous development of Hebei's economy must rely on the development of science and technology, and education. In the course of improving the economic environment and rectifying the economic order, a development strategy of "vigorous development of Hebei through science and technology" has to be diligently implemented. Both agriculture and industry have to rely on scientific and technical progress to tap potential for increased yields to attain large output from little investment.

Scientific and technical work has to serve economic construction in a dynamic way, be oriented toward the main arenas of economic construction, and actively spread scientific and technical achievements of general application. During 1989, firm attention must be directed to the implementation of 60 key scientific and technical projects, research and development on 400 new product projects, and the promotion of technical achievements made in the 400 projects. Attention is to continue to be given to the implementation of "spark plans," and preliminary work on "torch plans." In agriculture, applied techniques should be spread over more than 60 percent of the province. In industry, emphasis should be on the promotion of new technologies for conserving electric power, coal, and petroleum, priority planning of scientific research projects on energy, transportation, and new materials, promotion of technical equipment replacement throughout industry, deep structural readjustments, and updating of products. In addition, serious attention is to be given to basic research, applied basic research, and soft-sciences research. In order to promote development of science and technology, we will continue to deepen reform of the science and technology system, focusing on the "dual release" of science and technology. We will organize large numbers of scientific and technical personnel to go into factories and mines, and into rural villages to take part in providing technical services, carrying out various forms of technical contracting. Mutual stock share participation among scientific research organizations and

enterprises, leasing, contracting, and merging is to be encouraged for the formation of vanguard scientific research enterprises driven by technical products. Scientific and technical personnel are to be encouraged to pool their own funds to operate scientific and technical entities, and economically diversified civilian operated scientific and technical organizations. Industrial enterprises should make technical progress indicators a part of enterprise contract management responsibility systems, and actively explore the establishment of industrial technology contracting groups, development of technical development groups, new technology, and new products being the bond for close association between scientific research and production. Large and medium-sized enterprises should actively establish factory-operated scientific research organizations to bolster their technical development and technical assimilation capabilities. Rural villages should establish and perfect technology promotion service networks. Government at all levels should increase scientific and technical policy study and scientific and technical legislation, improve scientific and technical awards policies, and do a good job in technology markets so that scientific research achievements will be translated into productivity as quickly as possible. Full use should be made of universities and colleges, scientific research units, and municipal scientific and technical personnel in Beijing and Tianjin to organize production, and scientific research partnerships, adopting various methods to serve Hebei Province's economic construction. During 1989, when financial resources are in extremely short supply, the provincial government will continue some increases in funds for scientific research. All jurisdictions and all units should likewise increase investment in the development of science and technology.

The development of science and technology, the flourishing of the economy, and even progress throughout society will depend, in a fundamental sense, on improving the quality of workers and the training of specialists. In the course of improving the economic environment and rectifying the economic order, we must insure the development of education, being willing to sacrifice a little speed in order to improve education. We must have a strategic attitude that education is fundamental to the further building of endeavors of fundamental and lasting importance, giving a high degree of attention to education's long-term and important strategic position, while diligently carrying this into action, and genuinely including education on the important agenda of government at all levels. Reform must continue to be deepened, the orientation of schooling corrected, the quality of education improved, and the educational environment rectified, a solid job being done. Basic education should be diligently improved, the "Compulsory Education Law" implemented, education regulated under law, and problems of middle and primary school students discontinuing studies and dropping out of school conscientiously solved, thereby effecting a decline in the loss rate for middle and primary



school students. The structure of secondary school education should continue to be reformed, and vocational and technical school education consolidated, improved, and developed. Baoding City's experiences in operating schools, "combining production with education," and the "unification of enterprises and schools" should be summarized and promoted. A good job should be done in building a number of model vocational and technical schools, and in operating pilot projects in which graduates from secondary agricultural schools do not contract distributions in an effort to gain successes. In rural villages, middle and primary school education, vocational school education, and adult education should be developed in an overall way, the scope of experiments on comprehensive education reform further expanded, and the development of rural education linked to the implementation of "prairie fire plans," "spark plans," and Hai He Basin development plans. The emphasis in higher education should be on the deepening of reform, optimization of the structure, improvement of conditions, and improvement of quality. Also needed is increased macroeconomic control, strict enforcement of enrollment plans, a resolute halt to running classes indiscriminately, charging fees indiscriminately, and issuing diplomas indiscriminately. The experiences of Hebei Agricultural College should continue to be promoted to score new advances in the building of schools as operating mechanisms to serve economic construction. In adult education, the focus should be on on-the-job-training while simultaneously conducting education for specialized credentials. Firm attention should be given the eradication of illiteracy to bring the illiteracy rate among young people in the prime of life in the province below 5 percent. Further building of the teaching resources corps is needed, as well as improvement of reaching college education and teacher training to optimize the teaching structure. School director responsibility systems should be actively promoted, attention given to internal administrative system reform pilot projects for teachers' colleges, and eight intermediate and primary schools. Assignment of responsibility for annual wage budgets should be promoted. A basic wage, class time wage, and additional class time subsidy system should be instituted to stir teacher initiative. Teachers' working and living conditions should continue to be improved. Investment in housing for city and town teaching staff and worker housing is to increase over 1988. Construction of other kinds is to be appropriately curtailed to free some funds for improvement of housing conditions for university and college teaching staff and workers. In institutions of higher education, education in the situation should be the centerpiece; in middle and primary school, education in model behavior should be the emphasis. Ethical education should be strengthened; school political and ideological work should be improved and strengthened; schools should be run along strict lines; school spirit and school discipline should be built; and a fine educational environment should be created.

Everyone's enthusiasm for education must be aroused, and funds for school operation amassed through different channels in order to insure the development of education. Increase in disbursements for education by government at all levels should be greater than the increase in regular public revenues; the increase should also be greater than in 1988 in view of the increase in educational expenses per school student. Every effort should be made to increase per capita public expenses for school students, insuring expenses for personnel. Educational expenses included in the province's fiscal budget for 1989 will amount to 1.231 billion yuan, up 132 million yuan from 1988 in a 12 percent increase. Government at all levels are to apportion a percentage of their discretionary financial resources and excess financial revenue receipts to education. Since per capita income differs from place to place, the additional level for rural education should be increased to between 1 and 3 percent of per capita income (needy villages and households paying less or being exempted from payment). The surcharge for urban education is to be increased to 2 percent for use in general education. Between 7 and 10 percent of the total sum of city and town construction and maintenance taxes are to be used for the repair of middle and primary schools buildings. Local governments are to be responsible for establishing educational development funds through entrepreneurial unit and social fund contributions, and the public pooling of funds, collecting a certain percentage from controlling the procurement prices of commodities that units purchase. Policies should be adopted to help schools improve their self-development and self-perfection capabilities. Institutions of higher learning should be encouraged and supported in development of social services in accordance with pertinent State Council regulations. Work-study programs in middle and primary schools not already accorded a tax reduction or tax exemption may, upon approval, be granted reduction or exemption from payment of product taxes, added value taxes, and business taxes if they are needy. As necessary and possible, some small enterprises, or cultivated land and mountain ranges in economically fairly well off areas may be apportioned to middle and primary schools as bases within the school where teachers and students may conduct education in labor techniques, all returns to be used for augmenting inadequate operating funds and for improving schooling condition. Their diversion to other purposes, or waste, are positively prohibited. Dangerous middle and primary school buildings not taken care of during 1988 must be taken care of during 1989. All places having dangerous middle and primary school buildings will not be permitted to build new office buildings. Educational development plans for the province as a whole and for all jurisdictions must be made a part of master plans for economic and social development, and made a part of responsibility plans for goals to be achieved by leading cadres during their terms of office. They are to be put in place year by year, and are to form an important part in the evaluation of cadres' political accomplishments.

### G. Rigorously and Stringently Control Population Growth

Planned parenthood is a fundamental national policy of China, and a matter of crucial importance affecting the overall economic and social development of Hebei Province. The population situation that Hebei Province faces is extremely grim. The province's population stands at 58 million, and birthrate control plans have not been fulfilled for 3 years in a row. At the present child-bearing level, the population of the province will reach 70 million by 2000, far surpassing the population plan norms handed down by the state. The province currently remains at a childbearing peak. The task of controlling population growth is a rather daunting one, and unswerving full implementation of existing planned parenthood policies is necessary. It is necessary to uphold plans for rigorous and stringent control of population growth, support the work of planned parenthood units and planned parenthood workers, continue to advocate late marriage and late childbearing, fine births and fine rearing, the emphasis being on improving populating quality. It is necessary to continue to advocate a single child per married couple, and to persevere in preventing childbearing outside of plan, early marriage and early births in order to insure realization of planned parenthood work goals.

An understanding of per capita availability is to be firmly inculcated in a resolute effort to insure that two kinds of production are given attention at the same time. At the end of the year, each level is to publicize the per capita amount of gross national product and its speed of increase, which are to be one main ingredient in the evaluation of government work. Administrative chief responsibility plans for goals to be achieved in planned parenthood by leading cadres during their incumbency are to be instituted, annual checks to begin in 1989, the loss of control over population dealt with severely. The "Hebei Provincial Planned Parenthood Regulations" are to be unswervingly implemented. Childbearing is to be regulated in accordance with the "Regulations," planned parenthood work gradually becoming regulated by law. Supervision and inspection of planned parenthood work is to be intensified, wrongdoing such as deception about marriage and childbearing being investigated and dealt with. Cases of submitting false data, reporting circumstances falsely, producing false documentation, or faking surgical procedures are to be strictly punished. Those responsible are to be investigated and held responsible. All places and units that have not fulfilled their population plan norms may not be evaluated as all-around advanced units and units advanced in spiritual civilization. The building of grassroots level planned parenthood organizations is to be intensified, and village level control capabilities increased. Each administrative village is to designate one cadre responsible for devoting his main energies to planned parenthood work, and required planned parenthood specialists are to be provided as well. For villages in which the grassroots organization is paralyzed and population is out of control, the county government is to appoint a cadre who has been relieved

of production duties as the planned parenthood officer in the village. He is to sign a responsibility certificate to render a good performance in planned parenthood control work for a fixed period of time. There is to be further restructuring, improvement and development of grassroots planned parenthood societies, and active launching of various kinds of propaganda and service campaigns to guide the masses in voluntary implementation of planned parenthood. Forces throughout society are to be mobilized to coordinate with units concerned to mount a concerted effort in planned parenthood for complete control. The focus is to be on rural planned parenthood work. Birth control among the transient urban population is to be intensified. A high degree of attention must be given to planned parenthood propaganda and education. "China's 1 Billion Population Day" will once again sound the population alarm bell. We should take this as a turning point, taking a firm grip on the launching throughout the province of a mass population and planned parenthood basic education program to improve the understanding of the broad masses of people of childbearing age about science, culture and planned parenthood in order to promote a change in childbirth concepts and make people more willing to practice late marriage and planned parenthood.

Following the principle of provinces, prefectures and cities giving assistance primarily to counties and townships, planned parenthood expenses are to be raised according to regulations. Provincial level planned parenthood payments for 1989 are to be increased by 2 million yuan above the 3 million yuan of 1988. All counties and townships are to increase control over planned parenthood payments, designate specific persons responsible, set up a sound financial system, diligently formulate control methods, and rigorously enforce them. Payments for having excess children are to be put into a population fund at the county level. Use of planned parenthood money on the purchase of consumer goods or for extravagant eating and drinking is to be severely punished. The status of fee collections for having too many children is to be publicized for the masses in the exercise of open supervision.

### H. Continued Impetus to the Whole Province's Opening to the Outside World

Improving the economic environment and rectifying the economic order, and opening to the outside world are mutually promoting. Hebei is one of China's coastal provinces, which must unflaggingly carry out a coastal region economic development strategy in the course of improving the economic environment and rectifying the economic order, making full use of all possible conditions, and actively developing an externally oriented economy.

A policy of active development and stable growth of the export trade is to continue, foreign exchange earnings from sundry exports reaching \$1.25 billion in 1989. "Temporary Regulations on Encouraging Foreign Exchange-Earning Exports," and "Temporary Regulations on Control of Export Resources," issued by the

provincial government, are to be conscientiously implemented, sources of export goods being actively fostered and allocated, and priority support given in funds, energy, and raw and processed materials to export goods for which there is international market demand, that are strongly competitive, and from which economic returns are good. Since the state has reduced large scale exports of primary products, the production and export of replacement products should be given attention, active efforts made to expand the export of products for which the added value is substantial, and the costs in terms of foreign exchange are relative low. Efforts are to be made to tap the export potential of township enterprises, continuing to develop traditional export wares such as labor intensive rugs, clothing, embroideries, plaited grass and willow ware, handicrafts, and hardware and tools. Export commodity production bases and joint trade, industry and agriculture enterprises should continue to operated, guided by international market demand. Their organizational coordination should be improved and their production capabilities expanded. Investment in export commodity bases should be linked to commodity deliveries to higher authority. Foreign trade units should improve their service attitude and adopt preferential policies to support export bases in the development of production. While consolidating existing export commodities and markets, the make-up of export commodities should be readjusted, product quality improved, colors, designs, and kinds of export commodities increased, and new markets actively opened. Vigorous support should be given to the production of enterprises that put "both ends abroad," that "use imports to foster exports," and that "use imports to carry exports." Barter trade is to be actively developed. Deepening reform of the foreign trade system is to continue, and relations between trade and industry will be close. There will be further improvement of the foreign trade contract management responsibility system to insure fulfillment of foreign exchange earning export quotas. During 1988, the province experienced a foreign exchange shortage. If foreign exchange earning quotas are not fulfilled this year, and the foreign exchange shortfall widens further, this will be extremely unfavorable for the externally oriented economy.

Capital from developed countries of the world is now moving into the Asia and Pacific region. We will have to seize this opportunity to bring in foreign capital, energetically initiate Sino-foreign joint ventures, Sino-foreign cooperative ventures, and foreign trader sole proprietorships. We should "graft" the use of foreign capital to the transformation of old enterprises, remedy the lack of domestic construction capital, and simultaneously bring in advanced foreign technical and managerial experience. Plans call for the use of \$180 million in foreign capital on 147 projects during 1989. A protective policy toward foreign projects has to be adopted, all possible being done to provide domestic counterpart funds for projects for which agreements have been signed to insure their construction. In addition, so long as the investment of foreign capital is in keeping with China's

industrial policies, we should continue to make advance preparations for projects using foreign capital, and improve our follow-up capability to use foreign capital. Three kinds of partially or wholly foreign-owned enterprises currently under construction should hurry the pace of construction, and for those that have gone into production, all preferential policies should be instituted, efforts made to manage them in accordance with international practice.

In view of the current shortage of energy, and raw and finished materials, when necessary, it might be preferable to halt some other enterprises to insure the normal production of the three kinds of partially or wholly foreign-owned enterprises. In addition to the direct use of foreign capital, a good job must also be done of the indirect use of foreign capital, including use of foreign government loans, World Bank loans, international commercial loans, International Agricultural Development Fund loans, and international leases. Provided the structure of industry is rationally adjusted, available foreign exchange may be used to import some supporting facilities that earn foreign exchange by producing exports, the production from which offsets import costs, and that can be assimilated and made Chinese.

#### I.

Active and solid building of the Qinhuangdao-Tanggu-Cangzhou Bohai Gulf Open Economic Zone. As places on the leading edge of the province's opening to the outside world, the three cities and 12 counties that make up the Qinhuangdao-Tanggu-Cangzhou zone should make greater strides in the development of an externally oriented economy. In the development of an externally oriented economy, coastal areas should regard as basic those exports that earn foreign exchange. They should select those things in which they possess advantages for cooperation with the outside world, and push forward with the upgrading and updating of products, and the optimization of the industrial structure in order to form, as quickly as possible, enterprises and products capable of earning foreign exchange through export. The provincial government should go ahead with construction of the "Qinhuangdao-Tangshan-Cangzhou Bohai Gulf Open Economic Zone Development Plan Outline and Construction Plan," which experts have already validated, and which the provincial government has already approved. It should be incorporated into the 14 large and medium-sized capital construction projects and the 20 technical transformation projects on which the state and local jurisdictions plan to continue construction. Project quality and progress on construction must be assured. The construction of basic facilities, which is the first problem that must be solved in the first step of the open zone's development of an externally oriented economy must be well and firmly handled. At the same time, efficiency has to be improved, procedures simplified, and the rate for honoring agreements increased. The foreign trader investment climate must be improved as quickly as possible.

Broad development of friendly international intercourse, making full use of the role of compatriots in Hong Kong,

Macao, and Taiwan, and overseas Chinese in the development of a foreign-oriented economy. Efforts should be made to establish economic relations with foreign embassies and foreign organizations in China. In future visits abroad, most important is the development of economic and technical cooperation. In the development of friendly relations, economic matters must play a greater role. Development of tourism, labor exports and the contracting of foreign projects are to be continued in an effort to increase non-trade foreign exchange earnings.

### **J. Efforts To Create a Fine Social and Political Environment**

Success in improving the economic environment and rectifying the economic order, the deepening of reform, and economic construction requires that we make full use of political advantages, and devote strict attention to work in the ideological and political field in an effort to create a fine political and social environment.

At the present time, emphasis should be placed on education in the situation. The broad masses of cadres and the public should be diligently organized for penetrating study of the spirit of the 3d Plenary Session of the 13th Party Congress and the 2d Session of the 7th NPC, so that people of all nationalities throughout the province will have a clear conception of the great achievements made during 10 years of reform, will face the problems and difficulties in current economic life, will fully understand the plans and policies that the CPC Central Committee and the State Council have adopted, will consciously support the leadership authority of the CPC Central Committee and the leadership authority of the State Council in government work, will truly unify thinking, keep in step, carry out orders, halt forbidden actions, work in full cooperation and with unity of purpose, and wholeheartedly carry out the policy of improving the economic environment and rectifying the economic order, and deepening reform.

In the process of building a socialist commodity economy new order, buttressing the building of socialist spiritual civilization is important. Government at all levels should mobilize and rely on the masses, pervasively develop education in patriotism, in ideals, and in vocational ethics, and launch various kinds of campaigns of an industry and regional nature for the building of civilization, encourage arduous pioneering work, make greater contributions to the building of the four modernizations, and oppose "looking for money in everything." A conscientious job should be done in summarizing and promoting the experiences of the armed forces and the citizenry, and the police and the citizenry in the joint building and development of civilized villages and towns and villager self-rule campaigns, making full use of the role of mass groups and grassroots level mass organizations to give impetus to the building of spiritual civilization. Thorough education in national defense should be given to increase the national defense awareness of the whole people, and to strengthen the building of militia and reserve forces. More work should be done in

giving special care to disabled servicemen, and to family members of revolutionary martyrs and servicemen, help given to solving the real difficulties of these people. Ideological and political work should be improved and intensified, and campaigns of a mass character to change prevailing habits and customs should be launched in the farflung cities and villages of the province. Socialist cultural endeavors should flourish, and the healthy development of literature and the arts should be insured. Control over cultural markets should continue to be strengthened, crackdowns conducted against illegal publishing activities. Reactionary, obscene, and evil things are to be resolutely attacked and eliminated, and feudal superstition and gambling is to be stamped out to protect the physical and mental health of the masses of people. Work should be done to promote the reform and development of city and country health and sanitation, widespread campaigns mounted for preventive health care, prevention and eradication of diseases, and patriotic health and sanitation, a good performance rendered in the prevention of all local disease. Environmental protection should be improved, environmental pollution controlled, and the ecological environment further improved. Physical education should be actively developed to improve health standards among all the people and to improve performance in sports competitions.

During the period of improving the economic environment and rectifying the economic order, we must further strengthen the building of socialist democracy and the socialist legal system. We must genuinely guarantee the democratic rights of the masses of people, and conscientiously accept legal supervision and work supervision from the people's congress, make the most of the participation in government and the deliberations of, as well as the democratic supervisory role of the People's Political Consultative Congress, democratic parties, and mass groups, and the supervisory role of news media and public opinion. We should genuinely act on suggestions, criticisms, and proposals made by people's congress delegates and members of the People's Political Consultative Congress, emphasize solution to practical problems, and improve government work. Close attention should be paid to the research work done by policy consulting organizations to make major policies democratic and scientific. The building of political power at the grassroots level, and foundation work in rural areas should be intensified, the linking of remuneration to achievements, and goal management responsibility systems diligently promoted. The pace of township level management reform should be quickened so that township governments are truly able to administer and manage society and organize commodity production. The building of village (or residents) committee organizations should be strengthened, full use made of the role of village (or residents) committees in the building of the two civilizations. There should be continued development and improvement of the "three-self" organizations, namely rural resident's mediation committees,

discussion meetings, and weddings and funerals councils, support given their work, and full use made of their role in civil defense, civil administration, and civil investigations. The nationalities areas autonomy law is to be conscientiously applied, help given to minority nationalities in the developed of their economy and culture, the better to promote development of ethnic unity and progress. Government at all levels should actively engage in social discourse and dialogues to improve the transparency of their work. Education to promote a popular understanding of the law and investigations in enforcement of the law should continue to be deepened to improve understanding of the legal system among workers in government agencies and knowledge about the law among the citizenry at large. The constitution, laws, and regulations are to be conscientiously enforced, and administrative regulations and systems further improved for further reliance on the law in administration. Government and departments at all levels must take the lead in observing discipline and obeying the law, earnestly supporting and supervision judicial administrative units in the execution of their duties in accordance with law. Resolute crackdowns with severe and speedy punishment in accordance with the law are to be made against all criminals who endanger social stability, and economic criminals are to be severely punished. A combination of concerted attacks, specific attacks, and general control is to be used; labor education and labor reform work is to be strengthened; the quality of remodeling education is to be improved, the social vigilance system is to be further strengthened, and various measures are to be taken for overall control of social order, a chaotic situation in social order existing in some places being changed as soon as possible, and a fine order for production, work, study, and daily life maintained.

**K.**

Need to make the economy flourish and the government clean. Strengthening of the building of clean government, and establishment of a fine ethic of honest government is an urgent task in the current building of government institutions. The provincial government, as well as governments and departments at all levels, must resolutely carry on a series of CPC Central Committee and State Council-prescribed regulations, becoming real models. A good job is to be done in the building of clean government, and restriction mechanisms strengthened so that the exercise of all powers will be regulated within the limits of the legal system and under supervision of the masses. The solemnity of government orders and legal degrees is to be maintained, disorderly and undisciplined acts of refusal to obey orders and refusing to halt proscribed actions being resolutely corrected. "Two opens and one supervision" work methods, the open dealings system, and results of open dealings should be spread among people in charge at all levels, government organizations have to do with finances and materials, grassroots level enforcement units, and public utilities

units, the masses being relied on to exercise supervision. Government department administrative actions should be standardized and the reporting system for administrative cases perfected, beginning with issues about which the masses' reaction is most vehement. Administrative inspection departments at all levels should actively carry out a struggle against corruption, with the emphasis on graft and bribe taking. Acts violating the law and discipline, such as graft and bribe taking, manipulating power for personal advantage, and extortion, all of which amount to the bartering of authority for money, are to be severely punished. Those leaders and other directly responsible persons who abuse their authority for private gain, indiscriminately hand out money or goods, convert public property to private use, or use public funds to entertain guests or provide gifts, to dine and drink lavishly, to enjoy themselves, or to build private houses are to be rigorously investigated and punished. People engaged in state administrative work, particularly leading cadres, are to be rigorously examined for bureaucratic behavior, deception and dereliction of duty, and malfeasance in office. Stringent action is to be taken to halt corruption, the disposition of all cases made public to take advantage of the power of threat, clean government work thereby achieving results. Administrative law enforcement and supervisory units must do more in the way of self-building, improving the political and professional quality of their workers, and consciously enforcing the law impartially, struggling against violations of the law and discipline. Government at all levels should make earnest efforts to change its work style, adhere to a policy of delving into facts, going down to the grassroots, and conscientiously listening to the views of all parties to improve our work, and doing a solid job as well of checking and carrying out all jobs. Cadres in public agencies should be educated to firmly establish a psychology of serving the people wholeheartedly, hard work, arduous struggle, little talk but many deeds, voluntary obedience to discipline and abiding by the law, overcoming laxness, maintaining close links with the masses, and establishing a fine image as servants of the people.

Delegates! The tasks we face during the coming year in improving the economic environment and rectifying the economic order, in deepening reform, and in building the two civilizations are extremely complex and daunting. We must both fully estimate the difficulties of the work, and also realize the favorable conditions that exist. The tremendous achievements made during 10 years of reform have laid a foundation for continued progress, and initial results in improving the economic environment and rectifying the economic order have opened a road of advance for us. So long as we act in accordance with the plans of the CPC Central Committee and the State Council, under leadership of the provincial CPC committee, and rely on the creativity of the masses of people throughout the province, maintain unanimity from top to bottom, be of one heart and one mind, advance despite difficulties, spare no effort, and maintain a political situation of stability and unity, we will certainly be able to get through the difficulties

together, winning new victories in improving the economic environment and rectifying the economic order, in deepening reform, and in socialist modernization!

### Heibei 1989 Economic Plan

*HEBEI RIBAO in Chinese 7 May 89 p 2*

[Report by Song Shuhua 1345 0647 5478, vice governor, concurrently chairman of the Planned Economy Commission, Hebei Province: "Report on Draft Plan for National Economic and Social Development of Hebei Province for 1989—Submitted to the Second Session of the Seventh Hebei Provincial People's Congress on 19 April 1989"]

[Text] Delegates! I am commissioned by the Provincial People's Government to report to you on the implementation of the 1988 Plan for National Economic and Social Development of Hebei Province and on the Draft Plan for 1989. Please examine the report and deliberate on it.

#### I. Implementation of the 1988 Plan

During 1988, the entire population of Hebei Province earnestly implemented the policies of reform and opening up to the outside world, as well as of improving the economic environment and rectifying the economic order. They firmly persisted in the continued deepening of the reform and on the extensive and in-depth movement for "double increase and double economy," maintaining economic development as core task and the development of the social productive forces as criterion for all their actions. On both fronts, the national economy front and the social development front, new successes have been achieved. The national economy of the province achieved a gross output value of 66.97 billion yuan, which, at comparable dimensions, was an increase of 11.6 percent over the year before; total industrial output value was 108.92 billion yuan, a 16.7 percent increase; and national income of Hebei Province was 57.3 billion yuan, an increase of 10.9 percent. New successes were also achieved in science, education, cultural affairs, health care, and social affairs. The tasks of the plan that had been approved by the 1st Session of the 7th Provincial People's Congress were basically accomplished.

#### A. Continued Development of the Rural Economy, Total Grain Production Increased Beyond the 20 Million Ton Mark

During 1988, all localities throughout the province intensified their guidance of agricultural production, and while consolidating the system of output-related contract responsibility for farm families and perfecting the socialized service system, they also adopted effective measures to increase input into agriculture through a variety of channels. Banks and credit unions of all ranks granted agricultural loans and financial assistance to agriculture to the amount of 7.24 billion yuan, an increase of 1.33 billion yuan over the previous year, which effectively

promoted the development of commodity economy in the rural areas. The value of this year's gross social output in the rural areas reached 63.37 billion yuan, a 16.1 percent increase over the previous year. In this sum, gross agricultural output amounted to 25.27 billion yuan, an increase of 5.7 percent, which exceeded the 4 percent increase demanded in the plan. Output of the main items was: 20.225 million tons of grain, an increase of 1.025 million tons over the previous year, or a 5.3 percent increase, which overfulfilled the plan and set a historical record. At the end of the year, there were 14.636 million live pigs on farms, which was 1.636 million above the plan figure, and a 7.3 percent increase over the previous year. There were over 10 million live sheep, which was 1.734 million head above the plan figure and an increase of 18.8 percent. The gross output of meat of all kinds was 1,159,600 tons, which was 109,600 tons above plan and a 14.8 percent increase over the year before. Output of aquatic products reached 207,000 tons, which was 45,000 tons above plan and a 15.5 percent increase over the previous year. An area of 338,000 hectares was afforested, and 158 million trees were planted on the "four besides" [beside villages, homes, roads, and bodies of water], all overfulfilling plan norms. Gross output of cotton was 577,000 tons, which was only 85.5 percent of the plan, and the output of oil-bearing crops was 653,000 tons, which was only 87.1 percent of the plan. These figures showed a decline compared with the preceding year. Township enterprises continued to develop rapidly; their gross output value is now 41.63 billion yuan, a 31.3 percent increase over the year before.

#### B. Increase in the Effective Supplies of Industrial Products, Improved Economic Returns

Last year, all industrial fronts throughout the entire province upheld as their core task the improvement of economic returns. They continued deepening the enterprise reform, perfected various types of the contract management responsibility system, actively and steadily pursued such trial projects as enterprise leasing, mergers, and operation of shareholding systems, thereby imparting greater vitality to enterprises and increasing the effective supply of products. Gross value of the year's industrial output reached 83.65 billion yuan, which was a 19.5 percent increase over the year before, at comparable dimensions. Of the 80 major industrial products which were qualitatively and quantitatively subjected to provincial plan assessments, 69 were found to have fulfilled or overfulfilled plan norms. New successes were achieved in the adjustment of product mix. Rapid increases were registered in the production of electric power, raw and semifinished materials in short supply, easily marketable products of the light and textile industries, and of famous-brand and high quality consumer goods, as well as of agriculture-related products. Increases were 7 or more percent above the previous year in the amount of electric power generated, the production of steel, plate glass, sulfuric acid, raw salt, TV sets, woolen goods, silk fabrics, beer, cigarettes, chemical

fertilizer, small tractors, and water pumps for agricultural use. Production was curbed for products for which the market seemed saturated, so that output of bicycles, watches, radios, and tape recorders was much less than the year before. Economic efficiency was being continuously improved. In the local budgets, state-run industrial enterprises realized 29.82 percent more profits and tax revenue than in the previous year. The number of enterprises with profits and tax revenue of 10 million yuan or more increased from 56 in the previous year to the present 71. Unprofitable enterprises decreased from 174 to 113, and losses declined 30.7 percent. The turnover of allotted circulating funds was shortened from the 107 days in the previous year to the present 94 days. The ratios of output value to profits and tax revenue, and of capital to profit and tax, rose 2.8 and 3.2 percent, respectively. Labor productivity of all personnel in state-owned industrial enterprises with independent accounting systems increased 8.9 percent.

#### **C. Further Adjustment of the Investment Structure, Greatly Accelerated Progress in Key Construction Projects**

During 1988, capital constructions of state-owned units in the province were completed to a total amount of 6.33 billion yuan, which was a 22.6 percent increase over the previous year. Investments for renovations and transformations were carried out to the amount of 4.24 billion yuan, a 39.3 percent increase. Due to adjustments in the investment objectives, much new vitality was imparted to basic industries and outstandingly successful lines of trade. Among investments in state-owned capital constructions, investments in additional energy sources were increased 32.8 percent, in transport, postal, and telecommunication services 15.1 percent, in light and textile industries 50 percent, and in agriculture, forestry, water conservancy, and meteorology 27 percent. Investments of a productive nature increased from the 69.8 percent of the previous year to the present 72.8 percent. Progress in key construction projects was accelerated. All 9 key construction projects of the state, carried out throughout the province within reasonable time limits, completed the norms prescribed in the annual plan. The following are some of the 25 large and medium-sized capital construction projects or key technological transformation projects which were required to be completed in 1988, and individual items that had to be put into production or delivered for use: the Qianjiaying mine of the Kailuan coal mines, the Dingxi wharf of Qinhuangdao port, the fourth phase of extension of the Xingtai power plant, the fifth phase of extension of the Xiahuayuan power plant, restoration of the coking facility at the Tangshan coking plant and gasworks, the beer brewery at Shanhaiguan, the Tangshan cement works and machinery plant, and the steel-making extension of the Chengde steelworks. These were all completed and put into operation; the only exceptions were the Shangan power plant and the Tangshan architectural ceramics plant. Fixed assets added throughout the year by capital constructions and technological transformations had a value of 6.93 billion yuan, whereby the following major

production capacities were created: An additional power generating capacity of 499,000 kw, additional port handling capacity of 600,000 tons, 4.01 million tons extractable coal reserve, 900,000 tons extractable iron ore, 400,000 tons of coke, 513,000 tons of pig iron, 624,000 tons of steel, 200,000 standard cases of plate glass, 703 km of power transmission lines, 970,000 kva power transforming equipment, 5,000 motorcars, 172,000 cotton spinning spindles, 1,374 cotton fabric looms, 48.3 million meters of printed and dyed textiles, 50,000 cases of cigarettes, and 550,000 automatic telephone exchanges for intra-city use. Seats for students at various schools were increased by over 60,000. Completion and commissioning of all these projects provided logistics for the economic development of Hebei Province.

#### **D. Fiscal Income Increased, Banks of All Ranks Achieved New Successes in Raising Funds for Short-Term Loans**

During the last year, Hebei Province instituted different forms of contractual financial responsibility systems for the various localities and cities and for some enterprises, and adopted measures to actively nurture new sources of finance, thereby stimulating enthusiasm for increasing production and increasing revenue. Under conditions of reduced income and increasing expenditure, local finance organs throughout the province achieved a revenue of 6.48 billion yuan, a 12.4 percent increase over the previous year, which overfulfilled the budgeted target approved by the 1st Session of the 7th Provincial People's Congress. Fiscal expenditure was 6.75 billion yuan, a 26.6 percent increase over the previous year. As far as loans are concerned, the banks of all ranks had been able to raise funds for short-term loans to support production and construction development. Throughout the year, funds for short-term loans totaled 17.03 billion yuan, deposit balances of all types at the end of the year showed an increase of 4.29 billion yuan over the previous year, and loan balances of all types showed an increase of 6.32 billion yuan.

#### **E. Market Supplies Basically Ensured All Consumption Needs of the Population, Great Successes Were Achieved in Foreign Trade and Economic and Technological Cooperation**

During 1988, under conditions of a marked disparity between supply of and demand for commodities, commercial and marketing departments of all ranks actively devised remedial measures, energetically organized sources of supply for goods, and endeavored to increase the supply of commodities, leading to large increases of commodities available for purchase in the market. The net total of purchases of social and commercial commodities throughout the province amounted to 23.9 billion yuan, an increase of 25.2 percent over the previous year. Retail sales of social commodities amounted to 35.5 billion yuan, an increase of 30.8 percent over the previous year. Apart from some items of daily necessities which were in short supply and had to be supplied



against ration coupons, the supply of most consumer goods was essentially normal.

As to foreign trade, the state restricted the export of some bulk commodities, but even so the amount of commodity exports continued to increase. Commodities exported throughout the year amounted to a total of \$1.55 billion, an increase of 4.4 percent over the previous year. Among these, sundry goods exports amounted to \$1.202 billion, or 138.8 percent of the state's plan target, showing an increase of 11.9 percent. Foreign capital was used at an accelerated pace. During the year under review the province actually used \$149.91 million of foreign capital, of which \$19.1 million were directly used and \$130.81 million were indirectly used, which constituted large increases over the year before. There had been 222 cases of technology imports and transactions amounted to \$194.22 million, which were increases of 56.3 and 58.2 percent respectively compared with the previous year. Excellent progress was made in the development of our export-oriented economy in the "opened-up" districts. Investments by 46 foreign firms were approved throughout the year, involving \$96.39 million of investments. Of these, \$34.848 million were sole investments by foreign firms, and 78 were cases of joint ventures; the amount of direct foreign investments was \$35.987 million; the amount of indirect use of foreign capital was \$188.72 million. There were 65 cases of imports with foreign exchange on hand, involving contracts that amounted to \$69.724 million. More than 240 enterprises are exporting and generating foreign exchange, and township enterprises have 521 distribution points for exports that will generate foreign exchange. The Qinhuangdao development district has taken on 21 items, which is 3.3-fold the amount in the preceding 3 years.

#### **F. New Achievements Also in the Areas of Science, Education, Cultural Affairs, Health Care, and Sports**

Last year, when the science and technology front concentrated all its efforts on executing the strategy of "raising expectations from science and technology," the "two liberalizations" became the focus of all attention, as the reform was pursued in greater depth, key projects were forcefully assisted to overcome their difficulties, enterprises developed technologies, scientific and technological achievements were disseminated for practical application, and the "spark plan" was widely carried out. Of the 1,694 scientific research topics listed in the plans of various levels, 97 percent were accomplished at the rate of progress demanded by the plans, 799 were appraised and found acceptable, and of these, 249 had attained international or domestic advanced standards. Hebei Province won 2 state awards for inventions, 5 awards for scientific and technological progress, 8 "spark plan" awards, and 1,100 awards for important scientific and technological achievements. At the 37th European Research Coordination Agency [EUREKA] exhibition of the world's inventions, Hebei Province won 11 awards for 10 of its achievements. Enterprises throughout the province developed 1,327 new products, of which 42 are

of international level, and 221 are of domestic advanced level. The new products realized a product value of 2.6 billion yuan and profits and tax revenue of 490 million yuan.

Educational affairs were continuously developed in the course of the reform. Ordinary institutions of higher learning further revised their specialized courses, adding 15 specialized courses, such as textiles, trade, economic information, etc. Local institutions of higher learning enrolled 18,700 undergraduate and graduate students, which fulfilled plan norms and constituted an increase of 2.1 percent over the year before. Technical secondary schools enrolled 31,600 students, an increase of 1.5 percent over the previous year. Vocational schools of various kinds enrolled 84,536 students, raising their proportion in the overall higher and secondary education from 43.4 percent in the previous year to 45 percent. To improve conditions at middle and primary schools, a total of 430 million yuan was accumulated from allocations by financial organs of all ranks and by raising funds from among the general public throughout the province, so that the problem of having some middle and primary school buildings in a dangerously dilapidated condition could to the greater part be solved. Primary schools of the province had 6.37 million pupils attending classes, an increase of 4.7 percent over the previous year, and school attendance of school age children was at the rate of 98.7 percent. Education of preschool children, physically handicapped, or slow learners was also stepped up.

New developments were also achieved in cultural affairs, health care, and sports. Seven feature films and educational films were produced throughout the year, also 23 television plays in 61 parts, and 166 new films were distributed. At year's end, television reached 80.3 percent of the population, a 3.9 percent increase over the previous year. In international and domestic sports competitions, athletes from Hebei Province won 67 gold medals, 75 silver medals, and 82 bronze medals. The total population of the province at the end of the year was 57.85 million, its natural growth rate was 14.85 per thousand, which exceeded the 13 per thousand rate of the population control plan.

#### **G. On the Foundation of Well Developed Production, the Livelihood of Most Citizens Improved**

According to a sample survey of the urban and rural population, the average annual per capita living expense income of the urban population was 1,080.50 yuan, a 26.4 percent increase over the previous year, and, if price increase factors are deducted, a real increase of 11.3 percent. The total number of personnel employed in the cities during the year was 450,000 persons. Deposits by urban and rural population increased; the year end balance was 26.2 billion yuan, an increase of 5.35 billion yuan over the previous year, or a 25.7 percent increase. Housing conditions for our citizens were improved, and the average per capita area of housing occupied by the urban population rose from 8.4 square meters in the previous year to 8.8 square meters. In the case of the



rural population, the average per capita area occupied rose from 15.6 to 16.2 square meters.

In overall view, certain successes were achieved during 1988 on all fronts throughout the province, and the plan for the province's national economic and social development was fulfilled in an excellent manner. However, during the execution of the plan, there also arose many difficulties and some problems that must not be overlooked, most conspicuous of these were the following:

**(1) Excessive social demand, a widening of the disparity between total supply and total demand.** These became concretely reflected in the simultaneous inflation of investment demand and consumption demand. During 1988, total investments in social fixed assets throughout the province reached the high amount of 21.07 billion yuan, a 34.9 percent increase over the previous year, which, at comparable dimensions, exceeded the growth rate of national income by 4.6 percentage points. Among these investments, those in fixed assets of the state amounted to 11.11 billion yuan, a 28.6 percent increase over the previous year. The growth rate of investments by urban collectives and individuals was 84.1 percent, and the rate of increases in the rural areas was 38.3 percent, rates that have been unheard of ever since the founding of the PRC. Steep increases like these exceed by far all actually available financial and material capacities. As to the consumption demand, in view of the successive excess over the last few years of consumption funds over national income, the total payroll of 1988 throughout the province broke through the 10 billion yuan mark, with an increase of 25.3 percent over the previous year, in which bonuses and piece rate wages increased 49.7 percent. The excessively fast increase of consumption funds caused extraordinary increases in the total amount of sales of social commodities, exercising an enormous pressure on the supply side of the market. Even though commodities to the net value of 3.75 billion yuan were brought in from outside the province, this would still not alleviate the disparity between available resources and purchasing power. At year's end, all social commodities on hand throughout the province amounted to only 11.73 billion yuan, while the aggregate purchasing power was as high as 37.27 billion yuan, the ratio between the two being 1:3.2, creating an extremely serious situation in the market. Persisting excessive investment and consumption demands are further aggravating the supply-demand disparity. The disparity between total social demand and total supply was computed as amounting to 5.8 billion yuan in 1984, and of having expanded to 7.8 billion yuan by 1987, showing a continuously growing tendency during last year. This is the direct effect that currency inflation is having on economic life.

**(2) Imbalance between the major proportionate relations, conspicuous contradictions of a structural nature.** First, there is the incongruity between industrial growth and stagnant development of agriculture. Stimulated by such factors as the excessive demand in the market, industrial production has increased at high speed in the last few

years, and furthermore maintained its dominant position in the economy. During 1988, the gross value of industrial output throughout the province increased 19.5 percent; the increase in township industries was 42.1 percent, and at or below village level it increased 30.4 percent, while agricultural production, which is the foundation of the national economy, increased by only around 5 percent. Obviously, there is a discrepancy between the high-speed growth of industry and the slow development of agriculture. Again, looking at the internal situation in industry, we see that the processing industries developed with excessive speed and that the development of basic industries was sluggish. In recent years, the metallurgical industry advanced slowly, the coal mining industry marked time without advancing, while the engineering industry, light industry, and other processing industries had growth rates of over 20 percent, and the trend, furthermore, one of a runaway development, especially in the small-scale operations of the ferrosilicon, caustic soda, native coking, cotton textile, and beer brewing industries. Although there was fairly rapid development in electric power generation, it was really a declining tendency in relation to the coefficient of elasticity of industrial growth. Imbalances between industrial and agricultural developments, and between basic industrial development and the development of the processing industries, particularly the excessively fast growth of common processing industries and of township enterprises, are having the following results: On the one hand, there was a steep increase in working capital loan funds and of currency brought into circulation; last year currency brought into circulation throughout the province amounted to 6.44 billion yuan, a 2.5-fold increase compared with the previous year, but there was still a widespread serious shortage of capital. On the other hand, there were deficiencies in energy sources, raw and semifinished materials, and an overall shortage of communication and transportation facilities. This situation inhibited the steady and harmonious development of the national economy, and also created much hardship in the livelihood of the masses.

**(3) Disturbed state of the circulation area, excessively steep increases in commodity prices.** During 1988, the general index of commodity retail prices rose 18.1 percent over last year's index. Price increases for commodities related to the people's livelihood and agricultural production were of even larger magnitudes. Prices for meat, poultry, eggs, and vegetables rose by over 40 percent, for pesticides by 45.1 percent, and for agricultural plastic film by 63.2 percent. In recent years, there have never been price increases to that extent; they greatly exceed what the masses will be able to endure. The rise in commodity prices, together with unfairness in distributions, reduced real income for approximately 30 percent of the urban population. Direct reason for the steep increase in commodity prices is the excess of total social demand over total supply, but the chaotic situation in the area of distribution, the wanton raising of prices by some localities, departments, units, and individual street pedlars, the purely speculative buying and

selling by profiteers, the exploitations by middlemen, the quest for exorbitant profits, have also played a role in aggravating the commodity price situation in the market. This has stirred up much resentment among the masses and is directly inhibiting the smooth progress of the reform and of production and construction.

Besides, the population is increasing too rapidly, the area of arable land is being reduced much too much, students and pupils of rural middle and elementary schools are increasingly dropping out from school, and the incongruity of too little scientific education for the requirements of current economic developments is also a very serious problem.

Overheating of the economy, structural inconsistencies, and currency inflation are obviously getting worse. Even though these are problems of a nationwide nature, and even though they are inseparably linked with the special circumstance of moving from an old to a new system, there are also defects and mistakes in our work, and there is the tendency of impatience for quick results in the guiding ideology governing our economic development. In our work, more energy was expended on construction projects and development of production, while there was a lack of in-depth analytical research and failure to comprehensively balance out, from a macroeconomic perspective, the many new conditions and new problems that have arisen in economic life, especially with regard to the large proportionate relations in the country's economy. There was also an inability to effectively apply in a comprehensive manner the various regulatory measures for effective macroeconomic guidance and coordination.

Since the 3d Plenary Session of the 13th CPC Central Committee, the entire province has earnestly implemented the policy of "improving the economic environment, rectifying economic order, and comprehensively deepening the reform," and initial successes have been achieved in "improving" and "rectifying." Up to the end of last year, 441 construction projects of the state or of collectives throughout the province were either stopped or delayed, reducing investments by 1.008 billion yuan. The situation of 1,541 questionable companies were critically examined, and 327 of them were closed down and dissolved. Investigations discovered 1,450 cases of profiteering and illegal actions. Through the great investigation of tax collections, financial affairs, and commodity prices, cases of violations of discipline currently discovered involved 460 million yuan, and discovered funds to the amount of 277 million yuan that were to be additionally turned over to the treasury, while 230 million yuan have already been paid to the treasury to make up for funds owed. Although initial successes have been achieved in "improving" and "rectifying," it has not been possible, in the overall view, to contain radically the overheating of the economy and the excessively strong demand. We still have commodity price increases of large magnitude, and our task of having to further "improve" and "rectify" is still formidable.

## II. Ideas on the 1989 Plan Schedules

Based on the spirit of the 3d Plenary Session of the 13th CPC Central Committee and of the National Planning Conference, combined with the realities of Hebei Province, the overall guiding ideology that governs the 1989 plan schedules for the national economy and social development of Hebei Province is: Earnest implementation of the Central Committee's policy of "improving the economic environment, rectifying the economic order, and comprehensively deepening the reform," cutting down on investments in fixed assets, rationally guiding and restraining consumption, working hard to increase effective social supplies, ensuring that price rises be markedly below those of the previous year, vigorous development of agriculture and efforts to achieve an abundant harvest, active readjustment of the industrial structure and continuation of the movement for "double increases and double economy," tapping potential in all quarters, maintaining industrial growth at an optimal pace, vigorous promotion of technological advances, adopting a developmental strategy of "raising expectations from science and technology," and promoting the integration of science and technology with economics, striving by every means to raise economic returns, gradually establishing a profit-oriented mechanism for economic growth, further adjustment of the educational structure, doing a good job in the educational reform, implementing the "Law Governing Compulsory Education," continuously increasing the universality of education, unswervingly carrying out the strategy of economic development of the coastal regions, continued opening up to the outside world, striving hard to increase exports and generate foreign exchange, further development of the export-oriented economy, planning for overall dispositions while taking into account both past experiences and future possibilities, effectively linking this year's situation with what can be expected in the next few years, and with improved development of production and greater productivity as foundation, striving for improvements in the livelihood of the people. Based on the above guiding ideology and considering all factors involved, the major macroeconomic regulatory and control objectives of the plan for the development of the national economy and for social development in Hebei Province are:

Based on a comprehensive increase in economic returns, to maintain an optimal growth of the national economy. A planned gross social output value of 145.31 billion yuan, an increase of 8.2 percent over the previous year, in which gross agricultural output value is to grow 5 percent, and gross industrial output value is to grow 10 percent (growth of industries at or above township rank to be 8 percent); gross national product to amount to 72.13 billion yuan, a 7.7 percent increase; and a national income of 61.43 billion yuan, a 7.2 percent increase.

A fiscal income of 6.806 billion yuan, an increase of 6.6 percent over the previous year at comparable dimensions.

Total retail sales of social commodities to amount to 41.8 billion yuan, a 17.7 percent increase over the previous year; local sundry goods exports to amount to \$1.25 billion yuan, a 4 percent increase.

To strive hard to limit currency issue to within 3.7 billion yuan, a reduction of 42.6 percent over the previous year; loan funds not to exceed the limit of 3.84 billion yuan, a decline of 39 percent compared with the previous year.

To gradually put an end to the disturbed state of economic life, in particular in the area of circulation, and to ensure that increases in the general index of retail sales prices of social commodities will be markedly lower than last year.

To reduce consumption of energy and materials per unit of all major products by 3.5 percent compared to the previous year.

To raise labor productivity by over 4 percent compared to the previous year.

To control population growth to within 12 per thousand.

The above-mentioned objectives are to be the foundation for macroeconomic regulation and control, as they are also to be the important target in our efforts to "improve the economic environment and rectify the economic order." To guarantee achievement of these objectives, the following must be our specific tasks and the major substantial content of our plan arrangements:

#### **A. Vigorous Development of Agriculture, Striving To Achieve an Abundant Agricultural Harvest**

Agriculture is a weak link in our national economy. Achieving an abundant harvest this year and increasing effective supply of agricultural products is of primary significance to alleviate the supply-demand disparity and to level out commodity prices in the market. The plan provides for a total output of grain of 20.50 million tons, a 27.5 percent increase over the previous year; output of cotton to be 675,000 tons, an increase of 98,000 tons; and output of oil-bearing crops 720,000 tons, an increase of 67,000 tons. Increases are also planned, to different degrees, for the supply of meat, eggs, aquatic, and similar products. The area of afforestation is to be 300,000 hectares, about the same as in the plan for the previous year, the important thing is to ensure the quality of afforestation work and raising the survival rate of seedlings. The principal measures that shall be adopted according to the plan are: (1) Guaranteeing preservation of the area planted to grain and cotton, strictly limiting any diversion of arable land for nonagricultural purposes. The plan schedules 100 million mu to be planted to grain and 13 million mu to be planted to cotton. Use of arable land for nonagricultural purposes shall be strictly limited to within 152,000 mu. (2) Increasing input into agriculture through a variety of channels. In view of today's extremely strained conditions of provincial finances and the extreme shortage of

credit funds, the province has decided to increase its investment in agriculture by 50 million yuan and to increase agricultural loan funds by 1.15 billion yuan. The plan provides 320 billion yuan for developments and improvements in the Haihe River basin, to be mainly used for grain production and the upgrading of medium- and low-yield fields. At the same time, all localities, municipalities, and counties are required to appropriately increase their investments in agriculture, as much as their financial capabilities will allow, and to actively guide the rural collectives and peasants to increase their input into agriculture, to further improve water conservancy facilities for their fields, and to develop agricultural resources. To ensure a stable source of funds for agricultural production, an agricultural development fund is being set up as from this year, and it will be made certain that the limited capital funds available will truly be used for agricultural production and development. (3) Energetic execution of the "spark plan," formation of groups that will contractually undertake technological responsibilities and will effectively pursue dissemination and widespread acceptance of agricultural science and technologies. As key projects, we shall propagate model cultivations of 47.8 million mu, 40.77 million mu for the auxiliary technology of new varieties, 200 million mu-times for comprehensive prevention of diseases and insect pests, 26 million mu for specially prescribed fertilizer applications, and 9.7 million mu for drought-resistant and water-short cultivation. (4) Increased assistance to agriculture by all trades, especially by industry. In order to ensure that grain, cotton, and oil-bearing crops are allotted appropriate amounts of chemical fertilizer, all urea, ammonium nitrate, and compound fertilizer produced at the province's five large chemical fertilizer plants, also pesticides and agricultural plastic film, that is to be produced as scheduled in the provincial plan, will be included in plan distributions as from this year, and subject to exclusive state control, to ensure the supply of agricultural means of production. Township enterprises are the major pillars of the rural economy of Hebei Province. In the course of "improving" and "rectifying," we must actively adjust product mix, substantially improve enterprise management, strive to raise the technological level, and continue to steadily forge ahead. The plan provides a gross output value of 47 to 49 billion yuan, an increase of 15-20 percent over the previous year. At the same time we must continue our effective support for poverty districts in the border areas, in the old revolutionary bases, and in mountain regions.

#### **B. Active Industrial Restructuring, Striving for Greater Effective Social Supply**

This year's major task in industrial production is to effectively carry out a structural adjustment in the course of "improving the economic environment and rectifying the economic order," to strive for an increase in effective supplies, and to ensure an optimal growth of production. To accomplish this task, it is necessary to achieve by every possible means an alleviation of the contradictions

and difficulties of capital shortages, shortage of coal and electricity, and of insufficient raw and semifinished materials. The following work must be particularly emphasized and effectively accomplished in the course of preparing and executing the plan: First, we must bring about a substantial improvement in production management, especially in the production and supply of railway and highway transport facilities, coal, electric power, and in seriously short raw and semifinished materials. We must start out from the interests of the whole and ensure supplies for the needs of key items of production. To promote larger production of coal and electric power, the provincial government has instituted specific encouragement measures and supportive policies for coal production. At the same time, the government intensified its control over the distribution of local coal mines and strictly controlled the shipment out of the province of coal produced in excess of the plan, also energetically organized sources of commodity supplies, in order to alleviate the supply-demand disparity and ensure the needs of production. Second, adjustment of the product mix must be effectively carried out as a key task. In accordance with the current priorities in industrial development throughout the country, as determined by the state, combined with the realities of Hebei Province, it was initially decided to support and guarantee key tasks by instituting a slanted policy. This policy concerns investments in fixed assets, loans of circulating capital, use of foreign exchange, communications and transportation facilities, and the supply of energy and raw and semifinished products, and favors 129 industrial products required by the people in their livelihood, basic raw and semifinished materials, marketable products of the light and textile industries, agriculture-related products, high-grade consumer goods in short supply, and export goods which generate foreign exchange. A reporting system has been instituted in respect of 49 products, the production of which is to be controlled and restricted, namely for small-scale production of beer, ferrosilicon, calcium carbide, caustic soda, electroplating, low-grade radios, woollen and cotton fabrics, because these operations consume much energy and produce inferior products that are slow-selling. Without production licenses, enterprises are not permitted to engage in the production of these items. This measure will release some energy, capital, and raw and semifinished materials to satisfy the needs of increased production of effective supplies. Production of 10 items has been prohibited, and relevant ministries and commissions of the state have ordered their complete elimination from production. For these items, economic, administrative, and legal measures shall be taken to strictly prohibit their production. Proclamations to that effect have been issued by the provincial government. In accordance with production plans transmitted by the state to lower levels, and in accordance with the demand for an adjustment of the product mix of Hebei Province, increases have been effected, to varying degrees, in the production of many products in the category of "effective supplies." Some of these items and their increases are: 37.64 billion kwh of electric power, a 9.2 percent increase over the previous year;

4.09 million tons of pig iron, a 5.1 percent increase; 2.7 million tons of steel products, a 5.9 percent increase; 12.85 million tons of cement, a 1.5 percent increase; 10 million standard cases of plate glass, a 3.3 percent increase; 220,000 tons of soda ash, a 8.4 time increase; 1.4 million tons of chemical fertilizer, a 3.2 percent increase; 9,100 tons of pesticides, a 46.3 percent increase; 610,000 television sets, a 29 percent increase; 323,000 tons of yarn, a 9.1 percent increase; 1.25 billion meters of cotton cloth, a 4.3 percent increase; 19,900 tons of chemical fiber, an 8.2 percent increase; 1 million cases of cigarettes, a 1 percent increase; 400,000 tons of beer, a 5.3 percent increase; and 800,000 tons of machine-made paper and cardboard, a 1.9 percent increase. Third, projects that are being finished and will be commissioned this year, especially those designated as key investment projects by the state and the province, shall be given preferential support with regard to construction capacities and the supply of raw and semifinished materials, to ensure their completion and their being put into operation in time or ahead of due time, so as to achieve the full benefit of their service. Fourth, in the course of deepening the reform, all industrial enterprises shall direct attention to their internal affairs, improve enterprise management, tap internal potential, adjust their product mix according to market demand, and raise their competitiveness.

### **C. Further Retrenchment of the Scope of Investments in Fixed Assets, Earnest Efforts Toward Effective Completion of Key Projects**

As an initial disposition under the 1989 plan, investments in fixed assets by the province and the entire society have been reduced 34.5 percent, compared to the year before. In compliance with the policy of "improving the economic environment and rectifying the economic order," fixed asset investments of the whole people of the province are allowed only if they will ensure continuation of key projects, or if they are investment projects that will be completed and put into operation this same year, or projects for which contracts have been signed with foreign parties. Apart from a few necessary new constructions, in principle no new projects must be scheduled. The objectives of investments shall preferably be agriculture, sources of energy, transportation, communication, raw and semifinished materials, as well as scientific and educational undertakings. Among these, 220 million yuan capital construction investments provided for in the local budgets are scheduled primarily for agricultural and scientific education, 83.82 million yuan are scheduled for agricultural, forestry, and water conservancy investments, a 55.7 percent increase over the previous year; 69.1 million yuan as investments in science, education, cultural, and health care, an 8.7 percent increase. Reductions of different extents were made, compared to the previous year, in investments in industry and communications, finance and trade, city building, and some other areas. Throughout the province, the plan provides for 38 large and medium capital constructions and above-quota technological transformation projects. Among these, 17

will be either projects to be completed, put into operation, or handed over for operation this year, or single engineering projects. They are the Gequan coal mine for the extraction of 600,000 tons of coal, the North China oilfield for the extraction of 100,000 tons of crude oil, the East Hebei oilfield for the extraction of 200,000 tons of crude oil, the No 1 and No 2 generating sets of the Shangan power plant producing 700,000 kw, the No 1 generating set of the Panjiakou power station producing 70,000 kw for pumped water storage, the No 4 generating set of the Xingtai power plant producing 200,000 kw, extension to No 2 generating set of the Handan thermal power plant producing 25,000 kw, the No 1 generating set of the Shalingzi power plant producing 300,000 kw, the Tangshan Locomotive and Wagon Works, the third phase of the coal wharf and Bingding wharf at Qinhuangdao port, a 1,260 cubic meter blast furnace of the Tangshan Iron and Steel Company, a "bo ke" [3788 8199] plant at Shijiazhuang, the Zhuozhou North China aluminum plant producing 5,000 tons of aluminum foil, the Tangshan Soda Plant producing 600,000 tons of soda ash, the 2.5 million ton capacity decompression installation at the Shijiazhuang oil refinery, a 1,260 cubic meter blast furnace for the Xuanhua Iron and Steel Company, and the engineering project at the Tangshan Iron and Steel Company for the transformation of high-speed line materials.

For effective control over the scale of fixed asset investments, and to ensure key constructions, the plan has adopted measures to tackle the problem from four directions: First, tightening control over all fixed asset investments of the entire society. This year, all investments, whether by the state, the collectives, or individuals, will be placed under plan control. Investments by urban or rural collectives or by individuals shall be accurately guided in accordance with industrial policy and the policies of retrenchments and adjustments, by adopting a method of registering each case as it arises, filing it for record, controlling its predetermined limits, and having its execution contingent on examination and approval, each at its particular level. Second, conscientious implementation of relevant provisions of the State Council, reexamination of all projects under construction, especially where the building of high-rises, auditoriums, guest houses, and hostels is concerned, the check-ups and retrenchments to be particularly directed toward common manufacturing operations and projects consuming much energy and causing serious pollution. The construction of high-rises, auditoriums, guesthouses, and hostels is strictly prohibited. Where such have been started without proper authority, construction must be stopped most determinedly, and responsibility of personnel or leading cadres shall be inquired into and action taken according to the seriousness of each case. In cases of this nature, the aftermath of stoppages or delays to construction must be effectively handled so as to keep losses at a minimum. Third, ensuring key constructions by every possible means. Key projects, which are designated as such by the state and the province, must be

ensured preferential treatment by the local administrations and relevant departments with regard to work capacities, supply of raw and semifinished materials, communication and transport facilities, capital funds, etc., so that they will be completed and put into operation with certainty and in due time. With regard to projects in which foreign parties are involved, our policy must be one of full protection. Contracts that have been signed for projects of this kind must be strictly carried out, and execution of the projects must be arranged for. Fourth, effective preparations must precede project execution, and supplies must be effectively stored up for future use on the projects. This year, the province has indeed arranged for a series of preliminary and preparatory work, and localities and cities should also make appropriate arrangements as demanded by their plans and according to their financial and material resources.

#### **D. Broader Opening Up to the Outside World, Vigorous Development of the Export-Oriented Economy**

At the core of all our efforts for a broader opening up to the outside world is the desire to expand exports and generate more foreign exchange. This year, in order to stabilize the domestic market, the state has reduced exports of some bulk primary products. Under these conditions, the provincial plan has scheduled sundry goods exports to amount to \$1.25 billion, an increase of 4 percent over the previous year. To fulfill this task, we must, first, effectively build up bases for export commodities. This year the export commodity development fund, working funds, and foreign exchange held by export commodity bases are to be primarily used to support the technological transformation and capital construction of base enterprises. Second, render preferential support in providing all those raw and semifinished materials needed for the production of export commodities, as such materials are available within the province. Third, further adjustments of the product mix of export commodities, providing a continuously larger share of machinery and electrical products, handicraft articles, clothes, products of the light and textile industry, and other such finished products, actively developing new products with export potential, and striving hard to increase our sources for export commodities. Fourth, enhancing control and organization of the sources of export commodities, prevent inordinate price hikes and rush buying, and the buying up of commodities in excess of actual needs. Fifth, opening up of new international markets, expanding and perfecting our marketing network, to ensure fulfillment of the plan for exports and for foreign exchange earnings.

Energetic and effective absorption and use of foreign capital is an important way of developing an export-oriented economy. This year, the plan has scheduled 147 projects in Hebei Province for utilization of foreign capital to the total amount of \$180 million. Of these, 8 are projects scheduled by the state for execution in Hebei Province, using \$89.8 million, and 139 are locally scheduled projects, using \$90.2 million. In order to accelerate opening up to the outside world, we must treat the

following tasks as of primary importance: (1) Bringing fully into play the role of the economic opened-up Qinhuangdao-Tangshan-Cangzhou zone along the Gulf of Bohai, energetically pursuing Sino-foreign joint ventures and cooperative management enterprises, accelerating the technological transformation of old enterprises, and striving to attract more foreign financed enterprises to the Qinhuangdao development zone. At the same time we must continue the work of indirect utilization of foreign capital. (2) We must actively develop enterprises with "both ends outside," and treat as a priority task the execution of production plans and measures of five industries, namely the light, textile, machinery, electronics, and chemical industries. (3) Accelerating construction of key projects in the opened-up zones, and making efforts to improve the investment climate. This year, the state and local authorities have scheduled 14 large and medium projects for construction or continued construction in the opened-up zones; the provincial plan scheduled 20 technological transformation projects, of which 16 are to be completed and put into operation this year. Relevant districts, cities, and departments must actively provide all construction facilities, accelerate the progress of the projects, and ensure that they are punctually turned over and put into operation, so as to gain returns as quickly as possible. (4) For projects with foreign parties, we shall continue our protective policy. We must do an outstandingly good job of raising matching funds domestically, continue to tap enterprise potential, make full use of free funds, and have all banks grant as many supporting loans as possible, to ensure that completion of work can be organized in the case of projects for which contracts have actually been signed.

#### **E. Launching the "Double Increase and Double Economy" Movement in Depth, Raising Economic Returns by Every Possible Means**

To get currency inflation under control and to ensure effectiveness of our readjustments, it is necessary for us to get a firm grasp of the work of "increasing production and economy, raising returns, and reducing expenditure": (1) We must continue our efforts to turn unprofitable into profitable operations. For large firms with profits and tax revenue of over 10 million yuan, we must continue diversified guidance, and as far as possible provide them with the facilities to further increase of their profits. For unprofitable enterprises, including enterprises that are incurring losses in industrial, commercial, and construction operations, we shall continue "having them take full responsibility for their losses, not compensating for additional losses, allowing them to retain the amount by which they have reduced losses, and allowing them to retain in full any amount of profits they may be able to achieve." Furthermore, through contractual undertakings, acquisition of shares, joint operations, mergers, sale by auction, leasing, and other means, we shall promote rational mobility of existing assets, and effect maximal combination of the organizational structures of enterprises. By this year's plan, 5 to 10 percent of all unprofitable enterprises shall be turned around and become profitable. (2) We must enhance

enterprise management, reduce consumption of materials, and improve product quality. All enterprises must genuinely and firmly grasp the basics, continue to carry out comprehensive quality controls and overall business accounting. They must establish a sound system of quality guarantees, a system of monitoring and standardizing energy sources, and institute and perfect methods of rewards and encouragements for economizing raw and semifinished materials. They must carry out target control and grant rewards and impose penalties strictly as circumstances demand. This year it is planned to achieve an 80 percent or higher rate of steady improvements in the quality of major industrial products. We shall strive energetically to bring about in a number of second-rate state enterprises and in advanced enterprises of provincial rank a steady decline of 70 percent or more in the consumption of raw and semifinished materials, fuel, and motive power used for major industrial products, have an overall reduction of 3 percent energy consumption in every 10,000 yuan of output value, and economize 1 million tons of standard coal. For capital constructions the system of public bidding and responsibility for submitted tenders and for full execution of the projects must be continued. Control of work performance must be intensified, quality of project performance must be enhanced, costs of project execution must be reduced, and construction time shortened. (3) We must energetically pursue technological progress and promote renovation and updating of products. We must accelerate the technological transformation of key industries and key enterprises, vigorously import foreign advanced technologies, and show ourselves apt at assimilating, reproducing, and innovating, so as to further enhance the technological level of the enterprises. (4) We must accelerate the turnover of capital funds, effectively clear warehouses, and take stock. Management of current capital funds should institute a responsibility system level by level, and the quotas of allotted current capital funds and norms for accelerated turnover must be broken down to be applied at every grassroot organization, linking such measures with rewards and penalties to staff and workers, thereby striving to achieve the objective of accelerating the turnover of all current capital funds by 4 percent. (5) Financial and economic discipline must be strict, economy must be practiced in all expenditures. We must energetically reduce administrative expenses and strictly control the purchasing power of social groups. This year, the purchasing power of social groups has been curtailed 20 percent compared to what it was last year.

#### **F. Efforts To Overcome the Difficulties in Capital Funds and in Raw and Semifinished Materials, Ensuring Optimum Growth of the Economy**

Insufficient capital funds, shortage of coal and electric power, as well as of raw and semifinished materials, are the major contradictions faced in industrial and agricultural production. This year, the banks have reduced by a large margin the granting of loans and the issue of currency, as compared with last year. Equal reductions have been made to varying degrees in the majority of

quotas of materials allocated by the state to Hebei Province, and even more conspicuous is the contradiction in assortment standards. In order to prevent economic stagflation, it is necessary to exert great efforts to solve the problem of the supply of capital funds, coal, electric power, as well as raw and semifinished materials, and to apply the limited financial and material resources to the most needed production and construction. First, we must actively nurture sources of finance and increase fiscal income. Second, we must absorb on a broad scale capital from among the general public, stabilize and increase deposits. Third, starting this year, we must institute management of the major agricultural and sideline products procurement funds as specific funds. Fourth, we must open up broad channels for funds for short-term loans and actively develop lateral economic ties. Fifth, we must improve management of bank funds, institute floating interests and differential interests depending on industrial policies, efficiency of enterprise business operations, and the speed of capital fund turnover. Sixth, we must improve production and supply of goods, raw and semifinished materials in short supply. Enterprises producing raw and semifinished materials must energetically organize production increases and ensure fulfillment of plan contracts. Materials departments at all levels must further improve their services, must organize by every possible means more sources of commodity supplies, reduce intermediary links, alleviate the disparity between supply and demand of raw and semifinished materials, and ensure the steady growth of industrial and agricultural production.

#### **G. Effective Organization of Commodity Supplies to the Markets, Making Best Arrangements for the Livelihood of the People**

On the foundation of well-developed production, effective organization of commodity supplies is important to maintain stability of urban and rural markets and for stability of the people's livelihood. This year, there is still a conspicuous disparity in Hebei Province between the ability to supply social commodities and the available purchasing power. The disparity is probably one of several billion yuan. The gap is particularly large in such agricultural means of production as diesel oil, thin plastic film, high-grade chemical fertilizer, and pesticides, as also in some items of daily consumption and high-class durable consumer goods. In order to alleviate the disparity between supply and demand, the following measures are planned: First, active organization of sources of commodities and efforts to increase market supplies. This year, the state appropriately raised the procurement prices for the contractual quota purchases of grain, cotton, and edible oil, and made grain production criterion for chemical fertilizer allotment, also adopted a preferential policy of specific encouragements for pig raising. These measures will further stimulate the production enthusiasm of the peasants and help increase supplies of agricultural products. The commercial and supply and marketing sectors must show themselves apt at rendering service, ensure fulfillment of the procurement plans, strive to increase procurements somewhat,

and at the same time, enhance mutual relations and cooperation between industry and commerce, agricultural and commerce, and between the commercial enterprises themselves within the province as well as with parties outside the province, to do everything possible to organize more sources of commodities and increase market supplies. Second, unified planning with due consideration for domestic and foreign markets. No further exports shall be permitted of copper, aluminum, nickel, and yellow phosphorus, which are materials in short supply in the domestic market and which have to be imported. Bulk commodities of the nature of natural resources which have a bearing on the national economy and the people's livelihood, such as grain, cotton, cotton yarn, iron and steel, and coal, must be imported according to plan. In case some commodities are equally in demand domestically and abroad, a part of them should be made available for export, while as much as possible should also be made available for export of items for which resources are abundant, or of products of the light industry, handicraft industry, mineral products, farm products and livestock, and machinery and electrical products which are not absolutely required domestically. At the same time, imports of for increased industrial and agricultural production and items necessary for the livelihood of the people, such as chemical fertilizer, pesticides, plastic film for agricultural use, sugar, pharmaceutical raw materials, and raw materials for the textile industry, should be given preferential consideration. Third, full emphasis must be placed on the role of the main channels between state and commerce. Starting from this year, the overall distribution of important materials for agricultural use, such as chemical fertilizer, pesticides, plastic film for agricultural use and also color TV sets will be exclusively handled by the state. With regard to altogether 21 items of daily consumption needed by the people, among them matches, soap, laundry detergent, pure cotton white sheeting, and table salt, the relevant departments shall ensure production and supply at all the stages of production, procurement, and marketing. Fourth, improving business operations and service, strict control of commodity prices in the market. According to our orientation of establishing a large variety of channels and reducing intermediary links, we must effectively organize the mobility of the major means of production and of consumption goods, achieve as far as possible a direct meeting of producers and consumers, accelerate the circulation of materials, and reduce circulation expenses. We must strictly enforce the state's commodity price policies, carry out the "double-track system" for prices of means of production, and prevent prices for extra-plan portions of production to exceed the maximum price limits set by the state. In case of the more important commodities, for which prices have been decontrolled, we shall institute a system of requiring prior approval for price hikes, and no unauthorized price raising or concealed price raising shall be permitted. As to the predetermined rational margins of profit, regional differentials, or differentials between wholesale and retail prices for industrial products, business units and individuals must not raise prices



when they removed the products to other places, or when they pass them on from one level to the other, so that the rate of price increases will definitely remain below the rate of increases in the previous year.

#### **H. Vigorous Development of Science, Education, Cultural Affairs, Health Care, and Sports, Promoting the Buildup of the "Two Civilizations"**

This year, the entire province continued to perform scientific and technological work according to the strategic disposition of "raising scientific and technological hopes," and deepened the reform of the scientific and technological system, with the "two liberalizations" as core concern. The work was oriented toward the main battle grounds of economic construction, namely toward effective organization to overcome the difficulties in key scientific and technological projects, toward disseminating available achievements, toward further successful development of new technologies and new products in the enterprises, and toward promoting the development of productive forces. According to the demands of our industrial policy, centering around acceleration of agricultural development, the main concern was to establish a sound science and technology service system, taking firmly in hand the study and development of new technologies for high-yield production on dry land by irrigation with the least water consumption, scientific application of fertilizer, soil enrichment, biofertilization, the large-scale spread of such applied technologies as the selection, cultivation, and protection of superior varieties of high-yield grain, cotton, and oil-bearing crops, and stimulating increased production of grain, cotton, and edible oil this year. With regard to industry, preferential arrangement concerned scientific research projects in the fields of energy sources, communications, and new materials, key support to important projects for overcoming difficulties in the leading industries, vigorous development of sophisticated manufacturing technologies, research and development of new products, widespread economies in the consumption of energy, water, and raw and semifinished materials, comprehensive utilization of new technologies and new techniques, and raising the utilization ratio of resources. Energetic efforts were made in the study and development of advanced technological equipment, modern communication technologies, biotechnologies, and of absorption and assimilation technologies. Efforts were made to raise the level of modernization of Hebei's industries. This year's plan provides for 60 projects for the solution of difficulties in key scientific and technological projects and for research and development of 1,900 new products. Among these, 150 items concern research and development of products that would generate foreign exchange or lead to import substitution, while 15 projects concern new high-tech products and the dissemination of 400 scientific and technological achievements. At the same time, implementation of the "spark plan" is being continued effectively.

In educational affairs, our primary concerns are deepening the reform, raising teacher quality and quality of

education, enhancing basic education, consolidating and developing vocational education, replenishing and adjusting higher education, and effectively conducting classes in adult education. Today, all our common institutions of higher learning continue to support special studies in such areas as light industry, textile industry, foodstuffs, finance and accounting, foreign economic and trade relations, and foreign languages. The plan provides for the enrollment of 18,950 students, a 1.2 percent increase over the previous year. Secondary vocational schools will enroll 32,300 students, an increase of 2.3 percent. In basic education we shall further rectify the orientation in running schools, and conscientiously implement the "Law on Compulsory Education," solve the drop-out problem in middle and primary schools, promote experiments in the comprehensive reform of rural education, and improve conditions for operating schools. While we are greatly retrenching the scale of fixed asset investments, the province will invest 8 million yuan as a supplemental subsidy for capital constructions for common education, an increase of 63.6 percent over the previous year. At the same time, we shall continue to run good radio and television courses, run correspondence schools, intensify vocational technical education, and thus raise the educational level of our workers.

Building up the socialist spiritual civilization requires that we not only engage in "improving the economic environment and rectifying the economic order," but also continue to pursue various social undertakings, such as cultural affairs, health care, sports, news dissemination, publications, keeping of records, radio and television broadcasting. Closely centering around economic development as the core concern, and in compliance with the demand of "improving the economic environment and rectifying the economic order," we shall consider the gain of social benefits as criterion of the highest order, and shall exert efforts to enhance the quality of intellectual works. The plan provides for the publication of a total of 1,569,000 1,000-page sheets, an increase of 9.3 percent over the previous year. A total of 4,100 hospital beds have been newly added, and the number of specialized health care personnel has reached 210,800. More sports activities of a mass character have been popularized, and environmental protection and related regulatory work has been improved. We have unswervingly set about the task of family planning, we have energetically advocated eugenics and excellence in child raising, and strict control of population growth, to ensure realization of the population control target for the year.

#### **III. Firmly Setting About the Task of "Improving the Economic Environment, Rectifying the Economic Order, and Deepening Overall Reform," Guaranteeing Completion of This Year's Plan Tasks**

The year 1989 is the first year of "improving the economic environment, rectifying the economic order, and comprehensively deepening the reform," as it is also the critical year of economic adjustments. The draft plan for

national economic and social development being submitted now to the People's Congress for examination and deliberation is actually a plan for adjustments. In the process of fulfilling the plan, we shall certainly encounter many contradictions and difficulties, and the tasks we shall be facing will be extremely arduous. In order to fully accomplish all these tasks and to achieve the macroeconomic regulatory and control objectives, much detail work will have to be done. Most fundamental is the need to have thought and action truly unifiedly concentrated in the spirit of the 3d Plenary Session of the 13th CPC Central Committee to earnestly and firmly take in hand the task of improving the economic environment, rectifying the economic order, and unswervingly pursue the various reforms in greater depth.

In improving the economic environment and in rectifying the economic order, the most important thing is to eliminate the overheating of the economy, to restrain the currency inflation, to scale down the overly brisk social demand, and to increase effective supplies. First, there is the need to scale down social demand and to control the inflation in the scale of investments in fixed assets and the inflation of consumption funds. This year's investments by the province in fixed assets, regardless whether they were investments by the state, the collectives, or individuals, regardless whether they were investments for capital constructions or for technological transformations, all have been cut down substantially compared to last year. This will unavoidably have a certain effect on the future economic development, and also affect the interests of various quarters, but it is an important measure that has to be adopted in order to improve the economic environment and rectify the economic order. It demands of all localities, cities, and sectors to start out from the overall situation and according to the demands of the plan, to sort out the various projects and to strictly control the scale of undertakings; whatever has to be delayed must be delayed, whatever has to be stopped must be stopped. As we scale down investments in fixed assets, we must also effectively improve management and control of consumption funds, and have consumption growth remain commensurate with production increases. The focal points in the control of consumption funds are: First, resolute restriction and control of the consumption funds of social groups, ensure that a 20 percent reduction target will be achieved, based on last year's situation. Second, improving the management of wage funds. We shall continue improvement and perfection of the method of linking the total payroll of enterprises with their economic returns. According to the varying conditions of the enterprises, we shall appropriately raise the ratio of the production development funds within the profits the enterprise is allowed to retain. We shall explore the rate of the different wage components in the production costs of various industries, and stop up channels for any wanton raising of the wage component in costs. According to the demands of improving the economic environment and rectifying the economic order, we shall this year reduce by 20,000 the staff and workers of state-run units throughout the province by

scaling down investments, by straightening out and reorganizing companies, by closing, suspending, merging, and retooling of enterprises, and by revamping their labor organization. Third, gradually eliminating unfairness in social distributions, establishing and perfecting a system of reporting individual taxable incomes, and improve collection of individual income adjustment tax. Through guidance and control of consumption funds, we shall effectively hold consumption fund growth to below the growth rate of the national economy. As a second overall measure, we must not lose the opportunity for an effective restructuring of the economy. This is a long-term task, but it is also critical for success or failure in the "improvement of the economic environment and rectification of the economic order." This year, the main tasks of economic readjustment are: effective rearrangement of the production order and related production policies, taking firmly in hand effective adjustments in those links that are critical for sustained economic growth, striving to increase effective supplies, enhancing the logistics of economic development, and promoting a sound and harmonious development of the national economy of the entire province. With regard to the structure of production, support should primarily be given to the development of the fundamental branches of production, such as agriculture, sources of energy, communications, transmission of information, and production of raw and semifinished materials, thus gradually arriving at a harmonious relation in the development between the manufacturing industry and the fundamental production. With regard to the product mix, increases are primarily required in the production of such agricultural and sideline products as grain, cotton, edible oils, meat, poultry, eggs, and vegetables, and also in the production of readily marketable industrial products. Starting out from an increase in effective supplies and a balance between production and demand, and also in accordance with the state's production policy, the province has prescribed specific methods of implementation, listing adjustments in the industrial production structure. All municipalities, counties, and relevant departments must preserve absolute unity of objectives, exert joint effort and cooperate with each other, so that all measures and means of adjustment are mutually compatible and form one whole entity, and will exert an effective joint impetus that will ensure realization of the task of economic readjustment. As a third overall measure, we must energetically rectify the economic order, especially order in the field of circulation. We must continue our determined efforts of sorting out and straightening out corporations. We must in particular attend to the problems of some companies now engaging in illegal profiteering and seeking exorbitant profits. We must further improve the organizational setup of the markets, and gradually perfect the operational rules of the markets, thus establishing a normal market order. At the same time, we must restore orderliness in tax collection, improve collection and administration of taxes, prevent tax evasion and tax embezzlement, the unauthorized remission and reduction of

taxes, diversion of tax revenue, and the unlawful retention of state tax funds. In order to strictly control commodity prices, the province this year instituted a responsibility system for all cities with the objective of controlling commodity prices. The province also distributed to all relevant departments commodity price control norms for some important commodities, making this type of work an important criterion for assessing administrative achievements. We shall at the same time strengthen commodity price supervision and investigation, instituting a system of resident commodity price inspectors, encourage the masses to exercise supervision and expose violations, and shall sternly suppress all kinds of illegal business operations and wanton price hikes.

Improving the economic environment and rectifying the economic order is completely identical with the basic purpose of the comprehensive deepening of the reform. Smooth accomplishment of this year's improvement of the economic environment and rectification of the economic order and overall realization of the plan for national economic and social development require unswerving continuation of the deepening of the economic structural reform. This year our main emphasis must be directed to three concerns:

**A. Further Deepening of the Enterprise Reform, Urging the Soonest Possible Shift in the Management Mechanism of Enterprises.** First, we must continue to improve and develop the contract management responsibility system in enterprises. To those enterprises that will practice the contract responsibility system, a mechanism of competition will be introduced by selecting enterprise managers through public bidding. We shall perfect the plant director responsibility system, place the plant director in the central position of the enterprise, uphold the legitimate rights of staff and workers to democratic management of the enterprises, improve the organization of labor, employ only the best qualified for internal managerial posts in enterprises, and effectively experiment with contractual management of all personnel, actively institute a system of having all personnel undertake their contractual responsibilities with a pledge, so that not only one person, but the entire contingent of staff and workers bear the risk of operations. We shall select some enterprises to gradually institute separate fund accounting, explore the methods of allowing enterprises to enjoy their own profits but also to bear their own losses. We must have them overcome the trend to act out of shortsighted considerations, but have them rather build up as quickly as possible a mechanism for development out of own strength and for consciously self-imposed restraints. We must further invigorate internal distribution in enterprises, and while spreading the practice of piecework wages and payment of wages according to work quotas, we must also try out floating wages and explore a structured wage system in which performance wages (by pieces, for quotas, for particular work posts) shall be dominant, in order to stimulate the enthusiasm of enterprise management and workers.

Second, we must earnestly implement the "Enterprise Law," and give further impetus to the separation of government functions from those of enterprise management. In accordance with the demands of macroeconomic regulation and control, we must firmly take in hand the shift in functions of the various economic control departments of the government, having their functions gradually change from direct to indirect control, thus providing the enterprises with the excellent external environment for independent business operations. We must firmly adhere to the principle that the law serve as guideline, must normalize enterprise action, and have the enterprises truly operate their businesses according to law, pay taxes according to regulations, and fulfill all their contract obligations. Third, we must combine economic readjustments, promote the merger of enterprises, intensify and improve lateral business ties and cooperation, develop some powerful business conglomerates, and unceasingly improve the organizational structure of enterprises. Fourth, we must promote in a planned way and step by step the shareholding system in which public ownership should predominate. After giving close attention to the formulation of statutes and regulations as basis, we must select some large and medium state-run enterprises to try out the shareholding system. At the same time, we shall continue leasing operations of smaller industrial and commercial enterprises, of which some may be disposed of by public auctions, so as to continuously impart new vitality to enterprises within the reform.

**B. Intensifying and Improving Macroeconomic Adjustments and Controls.** The key concern here is to intensify and perfect the operation of the various regulatory measures, especially adopting as far as possible more economic, rather than administrative measures, emphasizing development of the legal system, so as to gradually achieve a more orderly, more normalized, and more institutionalized state of the macroeconomic regulations and controls. (1) Strengthening the development of the system of macrocontrols, truly achieving an overall balance in the national economy. The planning departments of all ranks are departments that synthesize the macroeconomic management of the governments at their particular levels. At this juncture, when we try to improve the economic environment and rectify the economic order, we must certainly also determine, in accordance with a unified production policy, a plan for national economic and social development that covers the entire society, and must comprehensively arrange all important major proportionate relations, effect an organic integration of production policy with the objectives of macroeconomic adjustment and control, in order to bring about a balance in the overall quantities of the economy and an overall coordination in the economic structure. (2) We must bring fully into play the role of the banks in their macroeconomic regulatory and control functions, strengthen their management of social capital, their regulation of currency supply, the scale of their loan operations, and their structural composition. We must continue to develop in a well-guided and orderly manner

the market for short-term funds and must effectively provide call money availability and other forms of monetary accommodation. There have to be strict controls, but also assurance that reasonable requirements for sustained economic growth will be met. (3) We must strengthen the regulatory role of fiscal tax revenue, in particular strengthen the control of extra-budgetary funds. We must gradually guide these funds into directions where they are urgently needed for economic construction and social development. (4) We must reform the investment system, effectively set up investment companies, and gradually place all investment activities of investing units under the guidance and supervision of macroeconomic control. At the same time, we must intensify consultations, perfect the system of monitoring and supervising, and further improve the method of checking on important economic indices, so as to raise the scientific character and effectiveness of macroeconomic regulation and control.

**C. Actively Pursue Other Reforms Beneficial for Control and Guidance of Consumption Demand.** We must continue reform of the housing system, and gradually promote the commercialization of housing. We must explore the possibility of reforming social security and social safeguards and bring fully into play the role of the insurance industry in guiding the flow of some of the consumption funds. We must auction off in a planned manner the property of some of the state-run smaller enterprises, and on trial transfer against remunerations the use rights over some state-owned land, etc. Reforms in all these directions are now being tried out. All localities may gradually deepen these reforms based on the continuous review of all past experiences.

Delegates! Three months of 1989 have already passed, and presently the entire national economy is developing in a harmonious and healthy direction. In agriculture, the area sown to wheat has increased, and crops are sprouting better than in previous years. Industrial production during the first quarter has achieved gross output value amounting to 11.429 billion yuan, an increase of 7.1 percent over the corresponding period of the previous year. Fixed asset investments are now being sorted out. Urban and rural markets are essentially stable, the quota of retail sales of social commodities has been fulfilled to 95.8 percent, an increase of 15.7 percent, but 8.1 percentage points lower than during the corresponding period of last year. What deserves our attention is the fact that structural contradictions are still very conspicuous. In industrial production, the production of state-run industry increased only 3.4 percent. Production of major sources of energy and of raw and semifinished materials declined, and there were insufficient supplies of electric power and coal. The situation of capital funds is stringent, and economic returns are far from ideal. It is necessary to continue to adopt measures to gradually resolve these problems.

The above demonstrates clearly that since the start of the year, all localities, cities, and departments, by implementing the spirit of the 3d Plenary Session of the 13th

CPC Central Committee, have achieved certain successes in "improving the economic environment and rectifying the economic order," so that the economy of the province is presently in an excellent condition. Although many contradictions and difficulties still exist in the path of our advance, if all of us in this province, high and low, will reach a common understanding and resolutely implement the spirit of the 3d Plenary Session of the 13th CPC Central Committee and the various resolutions of the 2d Session of the 7th National People's Congress, and with a firm grasp tackle the job of improving the economic environment and rectifying the economic order, we shall certainly be able to overcome all difficulties and to fully accomplish the 1989 plan for national economic and social development, and shall also with certainty be able to realize the objectives of the economic readjustment.

### **Tianjin Government Work Report**

*TIANJIN RIBAO in Chinese 27 Apr 89 p 1*

[Article by Li Ruihuan 2621 3843 3883, mayor of Tianjin Municipality: "Recognize the Situation; Unite in the Struggle To Advance; Do a Good Job in Improving the Economic Environment and Rectifying the Economic Order Through a Spirit of Reform—Government Work Report Delivered at the 2d Session of the 11th Municipal People's Congress on 20 April 1989"]

#### **Delegates:**

In my capacity as representative of the people's government, I submit the work report to the congress for its examination and approval.

#### **I. Understand the Situation Correctly; Maintain Steady Policies**

1988 was a very unusual year. Propelled by 10 years of reform and opening to the outside world, the socialist modernization of the country continued to advance, winning encouraging achievements. At the same time, some new situations and new problems showed up in economic and social life. Most conspicuous was inflation, which became more evident with each passing day, and very great price rises. Social stability and popular sentiment were affected to a certain extent. Faced with this complex and difficult situation, the new municipal government, which the 1st Session of the 11th People's Congress in May 1988 had installed, thoroughly implemented the spirit of the 13th CPC Congress. It adhered to a basic line of thought of "everything for the people, and rely on the people for everything" to carry out a stable, steady, and measured development policy. Through a spirit of actively forging ahead, and solid and effective work, it overcame difficulties while moving ahead, victoriously fulfilling the various annual tasks set by the last previous people's congress. The very fine situation throughout the city found further consolidation and development under new circumstances. A year's practice has further confirmed the correctness of the basic line that the city has formed and adhered to

throughout during the past several years in the process of carrying out the spirit of the Central Committee. It has also validated the plans and policies that the municipal government has prepared as situations have developed.

#### **A. Steady Development of the National Economy**

The instructions given for economic work in 1988 of continuing to emphasize results and strive for balance, devote special attention to readjustment of the industrial structure, getting imported technology and technological transformation projects into production and up to full production, and "a single dominant industry but economic diversification," as well as attention to basic administration of enterprises enabled the city's national economy to maintain stable, coordinated development at a new level. The city produced a gross national product amounting to 25.2 billion yuan, up 6.5 percent from 1988 in terms of comparable prices. National income amounted to 21 billion yuan, up 5.5 percent from 1988 in terms of comparable prices; fiscal revenues amounted to 4.65 billion yuan, 50 million yuan more than plan.

Despite serious shortages of energy, raw and processed materials, and capital, and great decreases in receipts and increases in expenditures, industrial production managed to produce a gross output value of 36.256 billion yuan, up 11.3 percent from 1988. This included a 7.1 percent increase in municipally controlled industries. State-owned industrial enterprises within local budget overfulfilled requirements for payments to the treasury and repayment of loans out of profits. Outputs of highly marketable goods increased tremendously; output of 200 products in short supply controlled by the city increased 18 percent, and outputs of key industrial goods such as motor vehicles, television sets, electric refrigerators, washing machines, and high quality bicycles increased from 27 to more than 100 percent. Outputs of most raw and processed materials, and necessities used in the daily life of the people also increased. A cumulative 902 technical import and technical transformation projects went into production, averaging an 88 percent full production rate. They produced an output value of 7.15 billion yuan, the highest amount in recent years. A total of 1,148 new products went into production throughout the year, 224 of them meeting international standards. Quality of key products under city control rose steadily, 579 of them being evaluated as superior city-produced products. Twenty-two products, including the Changcheng 47 centimeter color television set and the low-loss, energy-conserving transformer received national quality prizes. Forty products, including Wangchao Brand dry grape wine received international prizes. Kenai brand refrigerators, planetary cycloid gear decelerators, and leather clothing received gold medals not long ago at the Leipzig International Trade Fair. Materials consumption continued to decline, materials consumption of major products under city control declining 83.16 percent. Energy consumption per 10,000 yuan of output value in the industrial system under

municipal jurisdiction fell 5.8 percent. The labor productivity rate for all personnel in industrial enterprises under ownership of the whole people rose 7.5 percent over 1988. The city maintained its position in the front ranks nationally in safety in production. Railroad passenger and freight transportation volume, port cargo handled, and post and telecommunications volume posted all time high records. An installed capacity of more than 70,000 telephone circuits was added, the number of lines in operation numbering more than the total for the entire Sixth 5-Year Plan period.

Rural social output value reached 17.96 billion yuan, up 35.7 percent from 1988 in terms of comparable prices. Despite a fairly large number of natural disasters, good grain harvests continued, reaching 1.583 billion kilograms. Output of major agricultural by-products increased tremendously, meat output increasing 15 percent, poultry eggs 38.5 percent, vegetables 6.4 percent, milk 16.4 percent, and aquatic products 12.5 percent. Township enterprises had an output value of 12.8 billion yuan, product quality, management skills, and economic returns all showing improvement. Procurement value of export commodities from the agricultural system increased 43.4 percent over 1988, amounting to one-fourth of total municipal procurement value.

#### **B. Fairly Stable Market Supply**

Government at all levels has always taken stable market prices to be the key to a stable situation, and has taken a series of determined measures to insure basic market stability. The retail price index rose 17.7 percent. From a fairly low base figure, it continued a rise that was lower than the national average for cities and rural areas, its extent of rise being lowest among 30 large and medium size cities throughout the country. The market was basically stable in 1988 at the time of readjustment of prices of four major non-staple foods and removal of price restrictions on name brand cigarettes and alcoholic beverages. Despite panic buying during August, the market settled down fairly rapidly. Social commodity retail volume for the year amounted to 12.993 billion yuan in a 26.7 percent increase over 1988. After deducting for price rises, the increase was 7.6 percent. Overall, markets thrived, both buying and selling were brisk, and normal supplies of necessities used in the daily life of the people were maintained. In particular, seasonal commodity and holiday market supplies of goods were ample and varied, and people throughout the city were rather satisfied.

#### **C. Steady Advances in System Reform**

During 1988, we continued to uphold the principle of "take small steps, never stop, and make few detours or backtracking." The deepening of enterprise reform was paramount, with advances in associated reforms in other regards as well. In the industrial and commercial systems under municipal jurisdiction, more than 80 percent of enterprises instituted 3 to 5 year medium to long-term contracting. Contracting methods were further

improved, and linked more closely to increasing production while economizing, and increasing earnings while limiting expenditures. This stirred the enthusiasm of managers and producers alike for varying decrease of increase in enterprises' economic returns. "A single dominant industry, and economic diversification" achieved outstandingly as an important ingredient in the deepening of enterprise reform. In the industrial system alone, 2,400 new economically diversified enterprises were built, 55,000 redundant personnel were placed, and 75 million yuan of new profits and taxes was produced. The municipal government conducted a summarization and promotion of the experiences in mass management at the Laobao Rubber Plant and the Hai He Plastics Plant, as well as practices at other enterprises. This played a very good role in the deepening of enterprise reform. In the area of urban area system reform, some authority over six retail businesses, as well as middle and primary school education and urban management, was delegated to districts for a further increase in the vitality of districts and streets, and outstanding success in management of the city and organization of the people's daily lives. In the area of dovetailing urban and rural area reforms, vegetable production and marketing was made part of a continuous process. This played a positive role in spurring production and improving supply. In the realm of planning, investment, supply, and financial and banking system reform, some useful explorations were made in means of strengthening and improving macro-economic control. In lateral economic associations, the role of evening out surpluses and shortages between one area and another, and of the mutual trading of advantages among areas was further brought into play. The gross value of materials brought in through cooperative arrangements, the number of economic and technical cooperation projects, the organization of export source of supply, and the total amount of finance capital were all at an all-time high.

#### **D. Steady Expansion of Opening to the Outside World**

1988 was the first year for reform of foreign trade contracting. There was close coordination and mutual support between industry and trade, and between agriculture and trade for rather good fulfillment of contracting norms that the state handed down. Port export foreign exchange earnings amounted to \$1.683 billion, up 10.9 percent from 1987. Port procurement of supplies amounted to 8.003 billion yuan, up 23.1 percent from 1987. Processing fees and volume of business for the "three forms of import processing and compensation trade" came to \$95 million in a nearly four-fold increase over 1988. The percentage of export of industrial manufactures continued to increase, the percentage of electromechanical products rising, in particular. Hot selling export items producing \$10 million yuan or more each year increased to 35 in number. The pace in utilization of foreign capital quickened, the utilization of foreign capital for the year amounting to \$344 million, up 18.7 percent from 1987. A total of 94 foreign trade investment enterprises were newly approved, 44 more than in

1987. In the economic and technical area, as of the end of 1988, a total of 122 joint venture and independent proprietorship enterprises had been approved providing a total investment of \$149 million.

Foreign-invested enterprises in operation number 60, producing an industrial output value of 365 million yuan, bringing about a basic balance between use of foreign exchange and foreign exchange export earnings for the year. Newly approved contractual joint venture enterprises outside of China number 18, providing more than \$17 million from the contracting of labor services.

#### **E. Remarkable Achievements in Capital Construction**

During 1988, we resolutely carried out the Central Committee's "three guarantees and three reductions" policy, bringing the amount of capital construction under control, and markedly improving the investment structure. Local investment in fixed assets throughout the city rose 1.7 percent over 1987, much lower than the national 18.5 percent increase. The percentage of investment of a productive nature rose, including a 28 percent increase in investment in energy. Virtually all of the 112 municipal government's key projects were proceeding according to plan. Work was completed on more than 60 of them, providing new production capabilities and improving the city's functioning. The Tianjin railroad hub and postal hub transformation project and associated projects were built at high speed, high quality, and high standards in just 17 months. Construction was completed on schedule, or ahead of schedule, on the Junliangcheng Electric Power Plant's No 5 generating unit expansion project, the Tianjin Alkali Plant renovation project, the first stage minicar project, and the electric refrigerator compressor assembly line. Work on connecting nine radiating roads to the three ring highways was basically completed for the formation of a transportation network within the city. New advances were also made in improving water and gas supply, in a general clean-up of the city's appearance, and in increased village and town construction.

#### **F. Substantial Advances in Education and Science and Technology**

Since 1988, we have met with the municipal CPC committee and those concerned in the Municipal People's Congress to conduct a deep investigation and study of basic education throughout the city, and to formulate specific actions to be taken and policies to be formulated to increase investment in education, to readjust the structure of education, to increase teacher's pay and emoluments, and to strengthen social support for education. In a situation of extreme shortage of funds, disbursements for education for the year amounted to 417 million yuan, a 23.8 percent increase over 1988. Fifteen middle schools, primary schools and kindergartens are to be renovated or expanded, and more than 277,000 square meters of rundown school buildings are to be repaired. After several years effort, considerable progress has been made in all types of education in the city. The

urban area instituted 9 years of compulsory education, and suburban counties also have plans to do so. The school meets nationally set requirements for the primary school entrance rate, the consolidation rate, the graduation rate, and the universal education rate. The quality of medium and primary school education has risen further. Marked results were achieved in readjustment of the educational structure, secondary vocational and technical education and general education becoming better coordinated; teachers college education was improved; vocational facilities in institutions of higher education were gradually readjusted; and adult education developed healthily. Many new avenues were opened for social support to education. A citywide leadership team for support to education was founded, and a prize fund for middle, primary, and kindergarten teachers was set up. Some units provided support to specific schools, adding a new ingredient to support for education, this work thereby beginning to become systematized and regularized.

Scientific and technical work make new advances in orientation toward economic construction and in being linked to production. During all 1988, major scientific and technical research achievements were made on 575 projects, 207 of which were authenticated, and 39 of which attained advanced international standards. Some scientific and technical research achievements have been applied to production, earning rather good economic returns. Technical markets signed more than 15,600 contracts during the year amounting to more than 280 million yuan. "Spark plans" were smoothly carried out, playing an active role in the development of the rural economy. New advances were made in social sciences and soft sciences research and application.

Medical treatment, and health and sanitation continued improvement, more than 2,000 new hospital beds being added. Several fairly large newly built hospitals, including No 4 and Huanhu, opened. A citywide medical rescue network began to be built, and both quality of medical treatment and the level of preventive health care rose. A patriotic health and sanitation campaign developed in depth, and various infectious diseases causing serious damage to the people's health were effectively controlled. During the 1988 rat annihilation campaign, the state designated Tianjin a rat-free city.

#### G. Very Fine Social Order

In order to create a fine social environment for reform, opening to the outside world, and the work and daily life of the masses of people, government at all levels has continuously given a extremely great amount of attention to the maintenance of public order. Adherence to reliance on the masses of people, mobilizing social forces, and bearing in mind overall control have been the guiding thought in maintaining social order. In 1988, a "mass prevention, mass control" campaign was launched throughout the city, the main ingredients in which were the creation of safe residential districts, safe villages, and safe units. At the same time, various steps

were taken to bolster regular education in the legal system in an effort to improve the urban people's ideological and ethical level and their understanding of observing discipline and obeying the law. Energetic efforts were made to commend activists in the maintenance of public order from among the public, and to strengthen the mass foundation for maintenance of social order. We persisted in linking overall control to cracking down hard and quickly, within the limits of the law, on serious criminal activities, resolutely concentrating attacks on rampant criminal activities, and working with determination to change certain places having conspicuous problems and turmoil. One after another, we conducted 15 citywide and arcawide attacks on mostly theft, robbery, and gambling. We concentrated on cleaning up some farm markets, depots, piers, places of entertainment, and schools, unceasingly cracking down on all criminal elements. This struck terror into the hearts of evildoers, and reduced crime. In 1988, the incidence of criminal cases in Tianjin City continued at the lowest level in the country for the sixth consecutive year, making Tianjin one of the best places in the country in terms of social order and security.

#### H. Continued Improvement in People's Livelihood

During 1988, government at all levels did more to assure that the interests and desires of the masses came first. They overcame difficulties, worked actively, and exerted themselves to the utmost to deal with problems on behalf of the public. The 20 ways of improving the life of people in cities and the countryside that the municipal government set forth at the beginning of the year were satisfactorily completed, and the people's living conditions were further improved. By way of reducing the impact of price rises on people's lives, the municipal government provided subsidies for more than 20 commodities needed in the daily life of the public, and it provided special assistance to the families of staff members and workers having a monthly income lower than 50 yuan, and to needy families in rural villages. In 1988, the average annual wage income of staff members and workers throughout the city was 1,859 yuan, 21.1 percent more than in 1987, or 3.6 percent after adjustment for price increases. Peasant average net income reached 891 yuan, up 18.9 percent from 1987. The masses enjoyed a richer cultural and physical cultural life, six major centralized literary and cultural performances having been held. Furthermore, a mass craze for community and family cultural activities at many levels and in many forms swept the city. The number of people participating in physical conditioning increased steadily. These things played a major role in the shaping of people's values and increasing their cultural attainments.

Substantial progress was also made in strengthening democracy. A heart-to-heart talk service campaign unfolded in which the discussion and dialogue system of members of government at all levels, people's congress delegates, and members of the People's Political Consultative Congress showed improvement. An information network primarily for the purpose of collecting the views



of the masses began to shape up. This allowed the views and complaints of the public to be expressed upward quickly and accurately, and also permitted rather prompt handling and solution of them. In 1988 during the "two conferences" period, municipal people's congress delegates and political consultative congress members expressed 2,193 opinions, suggestions, and proposals, all of which have been handled, 71.6 percent of the problems raised being solved. Another 21.1 percent are in process of being solved, or have been made a part of plan for solution. Statistics taken from questionnaires mailed back to municipal people's congress delegates and political consultative congress members showed 91.5 percent satisfaction and agreement.

During the past year, all levels of government throughout the city creatively carried out the line, plans, and policies of the Central Committee, linking them closely to local realities. As a result, the basic experiences that the city has upheld for the past several years found correct application and renewed elaboration under new conditions. These experiences are as follows:

Adherence to everything for the people and reliance on the people in everything. In real work, we are extremely attentive to the complaints and demands of the public, and we make sure to rely on the wisdom and power of the public. We make the interests of the broadest masses our primary guiding principle in drawing up various policies and measures; We take whatever helps stir the enthusiasm of the masses as the point of departure, the point of return, and the standard for testing all work, the enthusiasm of the people of the whole city thereby continuing to operate to the full and rise to new heights.

Adherence to coordinated and synchronized development. In reform and construction, we strongly stress steady advance in accordance with the objective demands of economic development and the inherent laws of reform, pay attention to overall balance in proportional relationships, strive to dovetail and coordinate various reforms, and use step-by-step, synchronous, and roundabout means and methods, using regular "mini-adjustments" in an effort to avoid the major imbalances that come with "major overhauls."

Adherence to steady, stable, and circumspect policies. We take various actions for steady smoothing of various relationships, particularly people's feelings. We strive to create a harmonious, friendly, and coordinated social environment. In work, we stress the rallying of spirit to forge ahead actively without impatiently rushing headlong into things, and we persevere in "taking small steps, not halting, making few detours or doing little backtracking," doing things carefully, pushing ahead steadily, doing all possible to avoid mistakes, and minimizing shocks.

Adherence to planned opening to the outside world and enlivening the domestic economy in a controlled way. We constantly stress the need for opening to the outside world and enlivening under macroeconomic control, and

the need to "try dry runs," rather than "try live runs." Macroeconomic control has to take into account the overall situation, and it has to take into account what helps spur enterprises and enthusiasm in all regards. Attention has to be paid to both reform and development, the partial situation and the overall situation. The present has to be linked to the long-range, doing both what helps opening to the outside world and enlivening the domestic economy, and also not causing a loss of control.

Adherence to emphasizing enterprise reform, closely linking reform to increasing output and practicing thrift, increasing income and reducing expenditures. We regard enterprise reform as the key link in economic system reform. Other reforms, particularly various overall associated reforms, have as their main basis the enlivening of enterprises. They are subordinate to and serve enterprise reform; they help stir the enthusiasm of enterprises, staff members, and workers, and they promote the development of productivity and an increase in economic benefits.

Adherence to making full use of our political advantages. Government at all levels pays attention to examination and handling of problems from the political standpoint. Every time a job is undertaken, considerable attention is given to the masses' interests, and popular sentiment. Full attention is given to the possibility of provoking a mass psychological reaction, and to the overall social and political effect. In addition, improvement of the ideological, ethical, scientific and cultural level of the people is a strategic objective. This is given an important position. Ideological and political work is constantly strengthened and improved, and the building of socialist spiritual civilization is promoted.

The foregoing achievements and experiences are the essence and the mainstream of the city's political and economic circumstances; they are also the basis and the foundation for doing further work in various regards.

Delegates, in reviewing the work of the past year, we have a profound sense that the situation that exists in Tianjin today results from the joint efforts of cadres and the masses throughout the city. We absolutely can never forget that whenever the municipal government proposes a major task, the people throughout the city respond positively, vying to shoulder heavy burdens. Every time we encounter one difficulty or another, the people of the whole city work together as one, taking the initiative in sharing burdens and solving problems. Every time that the interests of the overall situation require that some members of the public make necessary sacrifices, they show concern for the overall situation, selflessly making a contribution. Even when we create some hardship and inconvenience in the daily life of the masses through some oversight, they fully understand and excuse it. In short, the confidence and support of the people have become a powerful backstop and a firm foundation for the government at all levels. It is the basic support that made it possible to surmount all difficulties

in 1988 enabling consolidation and development of Tianjin's fine situation. Here, on behalf of the people's government of Tianjin, I want to express my heartfelt gratitude and renew assurances of my highest esteem to the people of all nationalities throughout the city who have made such tremendous contributions to the building of Tianjin, to all the officers and men of the Tianjin garrison district, the armed forces stationed in Tianjin, and to the people's armed police who have shared our joys and sorrows, and who have fought with us shoulder to shoulder, as well as to all democratic parties, industrial and commercial associations and mass groups, who are of one heart and one mind, and who have worked in full cooperation with us!

While affirming achievements and progress, we must clearly realize problems and shortcomings. Despite having maintained prices in our city at a level lower than for the country as a whole, the degree of increase still tends to be too high, and the real standard of living of some of the masses has declined. Some departments and units lack sufficient understanding of the crucial importance of stabilizing prices. They have ideological relapses, unauthorizedly raise prices, and raise prices in disguised ways, failing to halt despite numerous prohibitions. Actions to halt the jacking up of prices, giving short measure, and misrepresenting quality are not sufficiently effective, enforcement being sometimes stringent and sometimes lax. Were we again able to act against the panic buying that occurred during August 1988, we might be able to delay its happening and reduce its effects. There are also quite a few things in the social atmosphere and social order that are not just what one might like. There are hidden dangers in social order, the incidence of major cases waxing and waning. Certain bad tendencies exist in social morality, vocational ethics, and social mores. All sorts of feudal superstitions, gambling activities, and lewd and evil things occur from time to time, and in some places they have developed to a fairly serious degree. The existence of a bureaucratic work style in the cadre corps remains a conspicuous problem. Some cadres do not do a solid job, and they do not work hard. They lack a spirit of conscientious responsibility about work and the suffering of the masses. For example, in some places flour, salt, and laundry powder were out of stock despite the general availability of such commodities, causing many inconveniences in the daily life of the masses. In some units, serious accidents occur, causing serious losses of state property. Among some cadres, unhealthy tendencies are very serious. Some attempt to project an undeserved image, going in for ostentation, extravagance, and a luxurious style. Some even abuse the power they hold to hurt the public interest in order to enrich themselves, extort and blackmail, practice corruption and accept bribes, speculate and profiteer. Such corrupt behavior creates an extremely bad influence among the masses. Despite the substantial advances made in education throughout the city, quite a few major problems requiring study and solution still remain in the development of education. The pace of educational system

reform is fairly slow. Some schools have superfluous personnel, efficiency is very low, and the enthusiasm of the broad masses of staff members and workers in education has yet to be evoked to the full. Although the city's birthrate has been controlled within plan limits, planned parenthood work has yet to arouse the serious attention of all society. Some departments and districts do not coordinate well and do not enforce policies with determination. As a result the natural rate of population increase and the multiple child rate in our city remains too high. Some advances have been made during the past several years in readjustment of the economic structure, but, overall, progress has not been very great. The problem of a not entirely rational structure remains a prominent element restricting the city's economic development. In numerous units, problems of weak ideological and political work and basic management exist to one degree or another. In a situation of heartening development of the economy, and improvement of the people's livelihood, education in maintenance of the tradition of arduous struggle has come to be ignored. Some people let contracting take the place of management, and some pay attention only to the power of money, ignoring the role of spirit. Some one-sidedly emphasize administrative responsibility systems, rejecting the authority of the masses to control their own affairs. A high degree of awareness is still lacking on making the most of political advantages. Some municipal government bear direct responsibility in this problem. Even though some problems occur at the lower levels, this reflects shortcomings and problems in municipal government leaders' work. We must direct a great amount of attention to this, and take effective actions to solve it consciously and overcome it in future work.

Delegates. 1989 is a year that holds important significance. The main task for the city during the year is to continue to carry out the spirit of the 3d Plenary Session of the 13th CPC Congress, to improve the economic environment and rectify the economic order centering around the stabilization of prices, and to deepen reform in every way. The main goals in national economic and social development during 1989 are to increase gross national product by 5 percent over 1988, to increase national income by 4.5 percent over 1988, to increase the gross output value of industry by 5 percent over 1988, and to increase the gross output value of agriculture by 4 percent over 1988, fiscal budget revenues amounting to 4.657 billion yuan.

Complete fulfillment of the above tasks and goals will require that we correctly analyze and understand both the various difficulties and the favorable conditions we face during 1989. Improving the economic environment and rectifying the economic order, and deepening reform is in a critical period during 1989, numerous new problems requiring solution, and numerous real difficulties having to be overcome. Since imbalance in the economic structure is very difficult to solve completely within a short period of time, industrial and agricultural production are seriously limited by various unfavorable factors.

conspicuous of which are extreme shortages of capital, foreign exchange, energy, and raw and processed materials. Realizing a rate of increase in the 1989 price index that is markedly lower than during 1988 poses very great difficulties. Because of the city's conceit about price readjustments during 1988, and because the centralized actions that the central government has taken in 1989 to adjust prices cover a large portion of price rise indices, realization of this year's goals in controlling prices means that prices of industrial wares needed in daily life and of agricultural by-products that Tianjin produces will have to remain at the 1988 level; there can be no more price readjustment measures. Currently, prices of some raw and processed materials continue to rise, placing a severe burden on enterprises. The need to stabilize market prices while supporting enterprises' normal production is very difficult. Certain elements of instability also lurk in social life. Nowadays people complain about price rises, unfair distribution, and certain corrupt events in national agencies, and solution to these problems is very complex. In addition, ideological and political work in some units is weak, so some people's dissatisfaction continues to spread and grow. How to get rid of overheating of the economy in the course of readjustment while also insuring effective supply, how to both curtail the amount of investment in fixed assets while doing all possible to reduce losses and accumulate needed reserves for economic development, how to look after domestic markets while actively expanding exports to earn foreign exchange, and how to tighten money effectively while also insuring the funds needed in the people's daily life and for economic construction, etc., are all very difficult but necessary-to-solve problems. If not handled well, readjustment will lose its meaning, or the economy may atrophy. We must be fully prepared ideologically for, and sufficiently appraise these difficulties as well as unforeseen problems.

"When in difficulty, our comrades have to look at accomplishments, look at the bright side, and pluck up our courage." Favorable conditions for fulfilling 1989's tasks are also very numerous. Further clarification of the CPC Central Committees' policies and plans point the direction for our continued advance. The basic line of thinking and the basic experiences that our city has upheld during the past several years have been tested and enriched through practice. The understanding of the broad masses of cadres and the public are more unified, and actions more conscious. As a result of several years of arduous efforts, important achievements have been made in every aspect of the city's work, which lays a solid work foundation for us. Now the rallying of the spirit of the people throughout the city, working together with one heart and one mind is our greatest reliance for triumphing over difficulties. We must base our work on fullest use of favorable factors, actively transform unfavorable factors, and rely on the broad masses of people, using every means available to overcome difficulties and win new victories.

Not long ago, the Tianjin Municipal CPC Committee convened three plenary sessions (enlarged) of its fifth

session at which the work policy for the entire city during 1989 was drawn up. It was as follows: Make the most of our political advantages; use the spirit of reform to do a good job of economic readjustment; curtail expenditures; insure supply; rationalize relationships; and stabilize the situation. The nub and the basic point of this policy is the need to continue to maintain and actively promote stability in all aspects of the political, economic, and social life of the whole city, all work proceeding from stability, and being subordinate to and serving stability. In accordance with this policy, we will have to use determination in curtailing the scale of investment in fixed assets, strictly control increases in consumption funds, and vigorously rectify order in the commodity flow field in order to insure that price rises are markedly lower than in 1988. We will have to hasten readjustment of the economic structure, tap potential to the full, and maintain steady coordinated development of the national economy to avoid atrophy of production. We will have to launch a thoroughgoing double increase and double economy campaign, vigorously increase and improve effective supply, and use every available means to arrange market supply in order to insure basic stability of the people's livelihood. Reform and opening to the outside world are to be closely linked to improving the economic environment and rectifying the economic order, the deepening of reform centering around enterprises adhered to, and associated reforms in various regards continued to be explored. Full use will have to be made of our political advantages, the centralized and unified leadership of the party maintained, ideological and political work strengthened, and relationships in every regard coordinated to enable further consolidation and development of a stable and unified political situation throughout the city. This municipal CPC committee-set policy is based on a thorough analysis and correct assessment of the current objective situation. It is entirely consistent with the spirit of the 3d Plenary Session of the 13th Party Congress, and it is consistent with objective realities in Tianjin. During the previous several months of 1989, this policy has already generated positive effects. Practice shows this to be a positive and forward-looking policy, a coordinated development policy, and a policy for stabilizing the overall situation. So long as we consciously uphold this policy, we will certainly be able to triumph over all difficulties, deal with complex situations, and attain anticipated goals in improving the economic environment and rectifying the economic order, and in deepening reform, moving Tianjin's various endeavors to a new level.

## **II. Good Performance in Improving the Economic Environment and Rectifying the Economic Order With Gradual Deepening of Reform**

Since the 3d Plenary Session of the 13th CPC Congress, the city has worked at completely improving the economic environment and rectifying the economic order in accordance with a series of CPC Central Committee and State Council policy regulations. Thanks to the joint efforts of government at all levels and the broad masses of cadres and the public, this work has begun to show

results, manifested in the following ways: (1) A gradual moderation of price rises. The city's retail price index for the first quarter of 1989 remained lower than the average rise in large and medium size cities, and continuing at a lower level than nationally. Public anxiety over prices began to decline. (2) Investment in fixed assets was effectively controlled. As of the end of March, the city had inventoried 1,714 projects under construction, halting or deferring 130 of them in a 600,000 square meter reduction of construction area, and a real curtailment of investment amounting to more than 730 million yuan. (3) Purchasing power of social groups was further curtailed. Factors causing price rises were eliminated for a real 20.1 percent price decline from 1988. This included a 41 percent decline in expenditures for specially controlled commodities. There was also a decline during the first quarter of 1989 from the same quarter in 1988. (4) Work on the restructuring of companies progressed fairly rapidly. Throughout the city a total of 174 companies that should not be operated or did not have requisite conditions were disbanded or merged, and 115 companies in which officials were involved in business and in which there was no separation of government administration and enterprise management were straightened out. Party and government cadres holding concurrent positions in companies were all removed in accordance with unified municipal regulations. A total of 694 cases of company violations of rules and regulations and the law were uncovered, 446 of which are now being dealt with. (5) Outstanding results were achieved in currency stabilization. Savings accounts of city and country residents made a comeback. By the end of the first quarter, savings accounts for the city as a whole were up 480 million yuan over the beginning of 1988. (6) Major investigations of revenues, fiscal affairs, and prices proceeded smoothly. As of the end of February, 340 million yuan of funds in violation of discipline were uncovered, 220 million yuan of which are to be paid to the treasury, and 190 million of which have already been paid. (7) City and country markets continued stable. Sources of supply of agricultural by-products and industrial wares needed in the daily life of the people increased, and supplies were normal. (8) Close attention is being given readjustment of the industrial production structure. By way of increasing effective supply, production of items in short supply was expanded, production of goods in oversupply was curtailed, limited funds and raw and processed materials being used well and effectively. Consequently, industrial production continued to maintain steady growth. During the first quarter, gross industrial output value grew 8.2 percent over the same period in 1988, including a 4.8 percent increase in industries under ownership of the whole people.

Despite the fine beginning in improving the economic environment and rectifying the economic order, accomplishments should not be overestimated. During 1989 and 1989, and for a long time to come, the task of improving the economic environment and rectifying the economic order will be extraordinarily arduous, very many difficulties and problems remaining to achieve

anticipated goals. Greater efforts will have to be made. We must conscientiously carry into effect the spirit of the 2d Session of the 7th NPC, profoundly understand the necessity, complexity, and arduousness of improving the economic environment and rectifying the economic order, further strengthen confidence, use a spirit of reform to render a good performance in improving the economic environment and rectifying the economic order, deepen reform in the process of improving the economic environment and rectifying the economic order, and continue a steady and solid job in moving ahead with the city's various endeavors. During 1989, the emphasis is to be on the following several tasks:

#### A. Resolute Stabilization of Market Prices

Insuring that price rises are markedly lower than in 1988 is the focus of the whole city's work during 1989, and is also the core in improving the economic environment and rectifying the economic order. Government at all levels, and all constituent departments and units, should proceed from the high plane of responsibility to the people and stabilizing the situation, making up their mind, devoting all their energies, and taking real actions to insure realization of the goal of stabilizing prices.

Determination to stabilize prices of necessities used in the daily life of the people. During 1989, prices for products closely associated with the daily life of the people, and fees for services are to be maintained at the 1988 level. There is to be no change in prices of grain and edible oil rations for city and town residents; prices of rationed supplies of meat, eggs, and sugar are to remain at the July 1988 level; efforts are to be made to effect stability with decline in vegetable prices; and prices of 19 different industrial manufactures used in daily life must be resolutely controlled. There can be no unauthorized raising of prices, or use of ruses to disguise price rises. Market price movements are to be watched closely; when necessary, increases in subsidies should be made to keep prices of daily necessities steady.

Genuine strengthening of market price controls. Recovery of some authority for adjusting prices, and expansion of the number of commodities over which centralized price control is exercised should be done to effect control over prices of commodities having to do with the national economy and the people's livelihood. Either a reporting system for making price readjustments, or a memorandum system in advance of price readjustments should be instituted for prices of major industrial consumer goods over which local market restraints have been loosened. Prices for industrial wares used in daily life that have been purchased from elsewhere are to be set strictly in accordance with national and local market regulations. Control should be exercised over wholesale prices, reverse discounting of the list price being instituted for important commodities. Retail links should be diligently restructured, state-owned, collective and individual business units instituting unified differentials between wholesale and retail prices. Strict attention should be paid to supervision and

inspection of market prices, price discipline rigorously enforced, violations of price and supply policies being strictly investigated and punished to safeguard consumers' interests. Regulations regarding market transactions are to be rigorously enforced, fair dealings encouraged, control over farm markets, stalls, individual hawkers and privately owned enterprises being increased, in particular. Unlicensed businesses are to be stamped out, and illegal activities such as deception and attempts to dominate markets, profiteering and speculation, jacking up prices, and making and selling inferior commodities are to be severely attacked.

The launching of a deepgoing campaign of a mass and social character to stabilize market prices is to be continued. Widespread publicity should be given to the importance of stable market prices, and the broad masses should be mobilized to take active part in stable market price work. A mass price monitoring system should be set up and perfected, mass price monitoring organizations and a professional corps carrying out regular price inspections at various levels. Cadres and permanent cadres at all levels should consciously take the overall situation into account, enforce price policies in a model way, and act as examples for the public.

All possible should be done to plan market supply well. Government and commercial units at all levels should make insuring market supplies the focus of their work, actively organize sources of supply, improve commodity scheduling, and strive to fill markets. Individual attention must be given to commodities and other essentials used in the daily life of the people that require coupons for their purchase, or that are rationed, so that different grades will be available, and goods will not be out of stock. State-owned commercial enterprises, and materials enterprises should use the role of main channels such as cargo handling coordination, market stabilization, and holding down prices. 1989 is the fortieth anniversary of the founding of the people's republic. All jurisdictions and all departments should closely coordinate, painstakingly organize, and prepare well to make anniversary day markets flourishing and prosperous.

#### **B. Devote Major Efforts To Increasing Market Supply**

The fundamental way to ameliorate the conflict between supply and demand, stabilize market prices, and insure the people's livelihood is to improve and increase effective supply. Industrial and agricultural production has to be painstakingly organized, efforts made to increase production and supply of major agricultural by-products, industrial manufactures needed in the daily life of the people, much desired products from the light and textile industries and the agricultural means of production, highly prized goods; in short, products that remove much currency from circulation, and export products that earn foreign exchange, as well as energy and scarce raw and processed materials. Transportation potential should be tapped, a good job being done in passenger and freight transportation.

The city's rural villages should continue to maintain an orientation of suburban type economic development, and a policy of "serving the city and enriching the peasants." While maintaining consistent growth of grain production, they should actively develop non-staple food production, taking 3 years or a little longer to build a fairly complete, modern non-staple food production and supply system. During 1989 and 1990, a good foundation should be laid for strong emphasis on the building of production bases for seven non-staple foods including vegetables, poultry eggs, hogs, chickens, dairy products, aquatic products, and fruits and melons. Suburban county supplies of non-staple foods to the city should increase substantially. Doing this entails, first, an increase in investment in agriculture. Plans for 1989 call for a 14 percent increase over 1988 in investment in construction for agricultural use. The apportionment of revenues to suburban counties to increase from 34 percent to 46.5 percent. Second is institution of a policy linked to non-staple food procurement, policies regarding supply of the principal agricultural means of production, agricultural by-products subsidies, and support for township enterprises being bundled together, and completely linked to production and procurement of meat, eggs, vegetables, and such major non-staple foods. Third is further regulation of the distribution of benefits among various rural industries, some funds being amassed from township enterprises for use in supporting agriculture and non-staple food production. Fourth is the need to continue to perfect household contracting systems linked to output, places having requisite conditions developing operations on a suitable scale. Fifth is genuine improvement in farmland water conservancy construction to increase capabilities for fighting drought and preventing waterlogging. Sixth is active development of agricultural science and technology research, emphasizing the promotion to use of existing scientific and technological achievements.

Tianjin's industry bears heavy responsibilities for insuring financial revenues to the city and for providing industrial products to the whole country. In today's situation of a complete shortage of funds, energy, foreign exchange, and raw and processed materials, vigorous action has to be taken to cut back on the ordinary in order to insure the essential, using limited resources to increase the key links in effective supply. Efforts must be made to increase outputs of 200 different products in short supply. In particular, 19 industrial manufactures used in daily life should be made a part of special plan, their supply to be supported in every way. Good planning should be done for production of 20 upscale products in very great market demand that take substantial amounts of money out of circulation, including color television sets, refrigerators, washing machines, and motor vehicles. Strong emphasis should be placed on getting technologically transformed projects into operation and up to full operation, and hastening the pace whereby imported items take on a Chinese character, enabling substantial increase in these products.

A solid job should continue to be done in pervasive development of the campaigns to increase output while practicing economy, and increasing income while conserving on expenditures. The enthusiasm of the broad masses of staff members and workers has to be aroused to the full, enterprise administration vigorously improved, inherent potential fully tapped, technological advances actively promoted, efforts made to improve product quality, and consumption of materials genuinely lowered, taking the road of emphasizing reliance on increasing economic returns in developing production. The planning, fiscal, finance and banking, and materials, as well as energy, and transportation sectors should take the initiative in providing good service, removing worries and solving difficulties for enterprises, and promoting steady development of agricultural production.

### C. Conscientious Curtailment of Social Demand

A total social demand that exceeds total social supply is the main reason for the current inflation and the excessive rise in prices. In the course of improving the economic environment and rectifying the economic order, we must make up our mind to tighten our belts for several years, genuinely suppressing excessively vigorous total demand.

Determined curtailment of the scale of investment in fixed assets. The investment in fixed assets that the state has preliminarily assigned Tianjin City for 1989 is 43.3 percent less than the actual investment during 1988, including a 30.4 percent reduction in investment by units under the system of ownership by the whole people. We must insure implementation in accordance with state requirements. We must continue to inventory, both fully and conscientiously, projects under construction, cut those that can be cut, defer those that can be deferred, and reduce those that can be reduced. For the next 3 years there can be no further building of high buildings, halls, or other such edifices. Projects involving the production of products whose sales have changed from brisk to slack as a result of market changes should be canceled if construction has not yet begun. Where construction has begun, it should be halted. Projects for which energy, and raw and processed materials are not available, and for which production technology is not mature, or construction conditions not in being should be deferred without exception. Construction must be curtailed, standards lowered, and investment reduced for technical transformation projects where readjustments can solve needs for more plant buildings, and for capital construction projects for which the amount of construction is excessive and standards overly high. The interests of the overall situation must be followed and requirements carried out for all projects to be cut, deferred, or reduced. Feigned compliance, resort to deception, and footdragging will positively not be tolerated. A good job will have to be done in minimizing losses following curtailment, efforts made to reduce losses to the minimum. Simultaneously, a conscientious readjustment in the structure of investment will have to

be made, energies concentrated to protect energy, transportation, communications, and raw and processed materials projects, projects for the construction of basic urban facilities, technical transformation projects for the production of products in short supply, technology import projects for which all construction requirements are already in place, and projects having a foreign involvement in order to make ready needed reserves for economic development. Construction of flood prevention projects should be intensified, firm grip taken on the clearing of obstacles from rivers and the dredging of silt, strengthening river dikes, including those of the Hai He to insure safety during flooding.

Determined control of excessively rapid growth of consumption demand. We must persevere in a policy of arduous struggle, hard work and thrift in national construction, and hard work and thrift in all we do, overcoming all waste, and cracking down hard on unhealthy tendencies toward luxury and corruption. Social group consumption is to be rigorously controlled, no units being permitted to exceed control criteria for 1989. Procurement of various state-designated specially controlled commodities is not allowed for a period of 2 years, except on approval for special needs. There is to be no renovation or fixing up of offices, reception rooms, or places used for non-productive activities for a period of 2 years. Administrative expenditures are to be strictly controlled, all conference expenses, official assignment travel expenses, and entertainment expenses are to be resolutely curtailed. All trips outside the country on other than economic and trade matters are to be strictly controlled, and travel outside the country for economic and trade purposes is also to be strictly examined and approved. The total wage bill for staff members and workers is to be strictly controlled, a resolute halt called to indiscriminate issuances of bonuses, subsidies, or material goods. Loopholes that permit production funds to be converted into consumption funds are to be resolutely plugged. Indiscriminate imposts and indiscriminate assistance is to be strictly prohibited, all units having the right to refuse payment of any expenses not approved by the municipal government. All deceptive publicity or advertising that purports to be for the benefit of the country is to be investigated and responsibility fixed on the units or individuals concerned, and an economic penalty imposed. Consumption is to be correctly channeled, and the people should be vigorously encouraged to save as a means of soaking up and deferring the use of purchasing power.

### D. Conscientious Restructuring of the Commodity Flow Order

The building of a fine commodity flow order is an important guarantee for promoting construction and the healthy development of reform. We must take a firm hand in controlling chaos in the commodity flow field, striving to promote the building of new socialist commodity economic order.

Continued inventorying and restructuring of all types of companies. All operating companies in which officials concurrently engage in business must break their ties with party and government organs within a definite period of time. Companies in which there is no separation of government administration and enterprise management must also make a separation within a definite period of time. Except for a small number of companies directly authorized by the municipal government, concurrent official and business administrative and management functions are not permitted. Central government regulations prohibiting cadres in party and government organizations from operating business enterprises are to be strictly enforced. Except for cases that the municipal government has approved because of special needs, such as foreign involvement, personnel in state agencies may not be concurrently employed in companies, and those permitted such concurrent employment are not permitted to receive compensation from the company. In accordance with central authorities requirements on the inventorying and restructuring of companies, there is to be another readjustment of preferential policies of certain companies to enable them to rely primarily on their own legal dealings to obtain profits. Following inventorying and restructuring, companies must diligently conduct thorough investigations, publishing the results for the masses, and accepting supervision from the masses.

Conscientious restructuring of the methods whereby important commodities flow. Commodities that the state has designated for franchising such as important means of production, and durable consumer goods in very great demand must be handled by state-designated units, pertinent franchising methods and price policies strictly enforced, the use of a monopoly position to gain illegal income resolutely guarded against. Important means of production not sold under franchise arrangements are to enter markets in accordance with regulations for open sale. No unit or individual may take advantage of loopholes in the dual track pricing system to profiteer illegally from commodities and materials within plan, thereby reaping exorbitant profits. Commercial units in charge are to improve vocational control over businesses, making full use of the role of overall planning, coordination, service, and supervision. Industrial and commercial, price, revenue, public security, judicial, investigative, and auditing units must work together, impartially enforce the law, and safeguard the normal commodity flow order.

Genuine restructuring of the finance and banking order. Inventorying of all non-bank financial institutions is to continue, their professional purview and the direction in which they apply funds being spelled out. Control is to be reinforced over short-term capital markets, short term borrowing and lending of funds, with cash flow of other kinds also being organized well. Management of extra-budgetary funds is to be strengthened. Private stores of funds and cash transactions that exceed quotas, which are violations of discipline, are to be strictly investigated and dealt with. Cash control is to be strengthened for

greater centralized coordination and control. Modern settlement methods such as bills settlement are to be developed; cash is to be used sparingly; funds in arrears are to be straightened out, and turnovers of funds are to be accelerated to serve stable development of the economy.

Revenue collection and administration is to be vigorously improved, tax cheating, tax evasion, and failure to pay taxes being punished according to law, tax monies that are to be collected being collected according to regulations.

#### **E. Accelerated Readjustment of the Industrial Structure**

Readjustment of the industrial structure is an important component in improving the economic environment and rectifying the economic order. The state is now taking a series of macroeconomic regulation and control actions to eliminate overheating of the economy, creating conditions for accelerating readjustment of the industrial structure of the industrial sector, and the product mix. We must take this favorable opportunity to hasten the pace of readjustment, enabling the city to make advances in rationalizing and elevating its industrial structure.

Tianjin City's basic line of thinking with regard to readjustment of the industrial structure is as follows: Active development of industries producing basic raw and processed materials for gradual amelioration of contradictions occasioned by a lagging of basic industries; acceleration of the development and application of new high technology for the earliest possible shaping of a number of new modern industries, simultaneously using advanced domestic and foreign technologies to transform traditional industries; rational readjustment of processing industries, actively developing use of products that require few materials, consume little energy, cause little pollution, have a high technical content, yield good economic returns, and whose export earns foreign exchange; doing a good job of upgrading and updating products, and hastening development of integrated electromechanical products for the gradual shaping of a new industrial system and product structure for the city. In connection with the goal of readjusting the industrial structure, a correspondingly good job must be done in making a rational pattern of industrial productivity, associated construction of basic urban energy, transportation, and communications facilities, as well as the dovetailing of economic development between one area and another.

In accordance with "State Council Decisions on Industrial Policy Essentials," and the actual situation existing in the city, efforts must be devoted to eliminating short-term arrangements for developing industries and products. A name list of industries and products that are to be specifically supported and encouraged, limited and proscribed should be provided. The emphasis should be on 10 key industries and 60 different key products, including the three leading industries, namely motor vehicles, electronics, and the marine petrochemical



industry, machinery, clothing and textiles, and durable consumer goods. Various economic methods should be comprehensively applied to the use of investment, credit, government finance, tax revenues and prices, and tilt policies should be adopted to insure priority development of these industries and products. The main tasks in readjustment during 1989 are: Active expansion of production of a number of key or hot-selling products including underwater petroleum electric pumps, engineering machinery, cotton textile products, and motorcycles; energetic increase in output of raw and processed materials including pig iron, superior quality steel projects in short supply, pure soda ash, and caustic soda; vigorous development of new high technology products including optical fiber communications equipment, numerical control machines, and programmable switchboards. The production of 35 non-viable products must be curtailed or halted.

The organizational structure of industrial enterprises is to be restructured. Key products should be the turnkey for active development of entrepreneurial blocs in keeping with the needs of specialized coordination and the economies of scale. Enterprises whose products have nowhere to go, that consume a lot, heavily pollute, have shown losses for a long period of time and have no hope of reversing their losses must be closed, halted, merged, or converted to other production. Readjustment and transformation should be linked, technical transformation, imports of technology, and the use of foreign capital being carried out in close conjunction with the direction and the emphasis of restructuring.

The development of township enterprises has to be correctly guided, the opportunity that improving the economic environment and rectifying the economic order provides being used to take firm grip on readjustment, consolidation, and improvement. Township industries should be encouraged to develop products that complement large industry, products that use local resources and fetch good returns, and export products and products to support agriculture. At the same time, they should strive to improve quality, lower consumption, reduce pollution, and avoid mindless pursuit of rapid development.

#### **F. Insure Development of Education, Science, and Technology**

We must fully appreciate the important strategic significance of the development of education, the training of talent, and the improving of personnel quality for the four modernizations and the future of the country. During the course of improving the economic environment and rectifying the economic order, we must insure continued development of education.

Further readjustment of the educational structure, and accelerated educational system reform. A development strategy for education has to be studied, and a development plan for education has to be formulated to make the development of education and its internal structure

consistent with socio-economic development. In basic education, a tri-level management system that includes the city, districts (or counties), and townships (or towns) has to be perfected, and the 9 year compulsory education plan has to be revised and put into effect. Attention has to be given to pre-school education, the management of child-care centers and kindergartens improved. Active efforts must be made to solve problems of sufficient teachers and school buildings to take care of the peak period of primary school entry, every effort made to avoid a two shift system. A good job has to be done of assigning this year's junior middle school graduates in accordance with municipal requirements for a universal senior middle school education. College and university education should be stabilized at its present scale, but the proportion of polytechnic students should be increased in a planned readjustment of the pattern and the curriculum in higher education. Diligence should be used in the assignment of college graduates, channels for receiving them widened so that they can use what they have learned and actively apply themselves to modernization. In intermediate vocational and technical education, the emphasis should be on consolidation and improvement so that it corresponds to readjustment of the city's industry and the requirements of technical progress, as well as the trend in employment. The focus of adult education should be on-the-job training, with management relationships rationalized, social benefits improved, and the enthusiasm of district and country bureaus, and of entrepreneurial units for running classes used to the full. A firm grip should be taken on the eradication of illiteracy among young people in the prime of life, and the growth of further illiteracy must be resolutely halted.

Education of all kinds and at all levels should strive to improve the quality of education and teaching, improve and strengthen student's moral teaching, do a genuinely good job of building school spirit and school discipline, reform the teaching curriculum and teaching methods, and truly solve problems that some middle and primary school students have in excessive burdens, so that the broad masses of young people achieve healthy moral, intellectual, physical, and artistic development. A good job has to be done in running teachers colleges, in improving teacher education, and in improving the overall quality of the teaching corps. Educational evaluations should be gradually promoted to give impetus to making teaching management more scientific and more regularized.

By way of promoting the development of education, payments for education out of public funds at all levels during 1989 will be substantially increased over 1988. In addition, the educational surcharge percentage to be collected will be increased and the scope of collections expanded. Throughout the city, there is to be further inculcation of a fine social atmosphere of esteem for teachers and respect for education, and an unceasing campaign conducted for social support to education. Beginning in 1989, some enterprises and streets having

rather high economic returns are to be selected to adopt a primary school. They will provide assistance to specific schools, each unit concerned doing a good job to insure fulfillment. Measures are to continue to be adopted to improve teachers' working and living conditions. The broad masses of cadres, teaching staff, and workers on the education front should further clarify the lofty responsibilities they shoulder, rally spirit, work hard, study assiduously, and improve their qualifications, bringing into play greater enthusiasm, dynamism, and creativity to invigorate education, not disappointing the confidence and the trust that the nation and the people repose in them.

Reliance on scientific and technical progress is a major way to advance economic development. Science and technology must be oriented toward the main battleground of economic construction, the present work emphasis being on advancing readjustment of the product mix, and the digestion, assimilation, and bringing forth of new ideas with regard to imported technology, striving to translate more scientific research achievements into productivity as rapidly as possible. Simultaneously, there should be planned intensification of basic scientific research. A firm grip must be taken on the technological jobs to be done on the 60 key development and advanced research projects. Technological achievements in the conservation of energy, water resources, and important raw and processed materials should be applied quickly. "Spark" plans and "bumper harvest" plans should be actively carried out, and close attention should be given to drawing up and carrying out "torch" plans. New high technology industrial policies should be better developed to hasten the construction of new technology industrial parks. Policies that encourage enterprises to rely on technological progress should be drawn up, and mechanisms shaped to help enterprises make technological progress. In order to insure the development of science and technology, the city treasury will continue to increase investment in science and technology during 1989. Enterprises and rural villages should also do all possible to increase investment in the development of technology. Reform of the science and technology system should continue to be deepened, and scientific and technical units should be urged to develop more widespread lateral associations and to join entrepreneurial blocs. Research units having requisite conditions should be encouraged to set up technologically intensive enterprises. Technology markets should be fostered and developed, technology exports should be expanded, import of information should be increased, and international scientific and technical cooperation and exchanges should be carried out. Close attention should be given to making the most of the role of scientific societies and organizations, and campaigns to popularize science. Mass technological innovation and technological cooperation campaigns should also be launched. The initiative of the broad masses of intellectuals should be fully aroused, knowledge respected, talented people esteemed, and the rational movement of scientific and technical personnel channeled, a good job

being done in training and improving technical specialists. Major efforts should be made to strengthen research in the social sciences and the soft sciences. Workers in theoretical and practical fields should be encouraged to work together, and workers in the social sciences and the natural sciences should be encouraged to work together in focusing on improving the economic environment and rectifying the economic order, reform and opening to the outside world, and the four modernizations. They should dare to innovate and conduct thorough theoretical research on the building of a distinctively Chinese socialism in which leaders' decisions are more scientific and more democratic.

#### G. Continued Deepening of Enterprise Reform

Improving the economic environment and rectifying the economic order presupposes maintenance of the overall direction of reform. Improving the economic environment and rectifying the economic order is an important guarantee for reform, and is also an important ingredient of reform. We must closely link improvement of the economic environment and rectifying the economic order with the deepening of reform, and resolutely, yet circumspectly, advance reform under leadership and in an orderly way that is consistent with requirements for improving the economic environment and rectifying the economic order. Perseverance in the deepening of enterprise reform as a key link, and conducting comprehensive associated reforms in other regards for the purpose of enlivening enterprises, is a guiding policy that Tianjin has shaped through practice in reform, and to which it has always adhered. Enterprise vitality directly affects expression of workers' enthusiasm, and determines fulfillment of financial quotas and development of the entire national economy. The enlivening of enterprises, particularly the enlivening of large and medium-sized enterprises is also a fundamental way in which to increase effective supply and stabilize market prices in the current improvement of the economic environment and rectifying of the economic order. Consequently, not only can there be no slackening of enterprise reform, but rather reform must be given prominence and continue to receive close attention.

The main requirements in the deepening of enterprise reform during 1989 are further perfection of contract management responsibility systems, strengthening of management, enlivening of operations, the focus being on improvement of economic returns, in order to bolster enterprises' digestion capabilities and ability to meet market changes. First is the introduction of the competition mechanism, doing a good job in large and medium size enterprise bid contracting. Second is promotion of risk pledge contracting, perfecting the system whereby total wage bills and economic returns are linked, the interests of managers and producers thereby being linked more closely to the development of the enterprise in the gradual shaping of a mechanism that is self-administrating, has responsibility for its own profits and losses, and is self-restricting and self-developing. Third is full implementation of the "Enterprise Law" to insure

that managers can independently exercise management authority, and that staff members and workers can fully exercise their democratic rights, further bringing into play the initiative of both parties. Fourth is to follow the principle of "bao si [0545 2984], removal of restrictions, service, and supervision," delegating to enterprises the authority that should be delegated to them so long as macroeconomic control is strengthened and perfected. Fifth is acting in accordance with the requirements of economic readjustment, using mergers, associations, or partnerships for steady development of entrepreneurial groups and enterprise blocs, continuing to advance lateral economic associations among enterprises. Sixth is continued development of "a single dominant industry and economic diversification," widening production and business avenues, and proper placement of excess personnel. Deepening of enterprise reform requires that all enterprises in the industrial and transportation system apply implementation of the "Enterprise Law," and the "CPC Committee Circular on Strengthening and Improving Ideological and Political Work in Enterprises" to their own situations, continuing to promote mass management work methods, and paying close attention to results.

In connection with the key element of deepening enterprise reform, associated reforms in other regards, improvements, and strengthening of macroeconomic regulation and control must be carried out as well in order to spur enterprises to create needed external conditions. Insofar as it is consistent with CPC Committee centralized plans, reforms of the planning, investment, finance and banking, materials, pricing, and revenue management systems should continue to be explored, as well as reforms of the labor wage system, social insurance, the social support system, the land utilization system, and the city and town residents housing system. Urban system reform should be continued, with further development of lateral economic associations and cooperation to enable work in all regards to maintain vigorous vitality and verve.

#### H. Active Expansion of Opening to the Outside World

The current improvement of the economic environment and rectifying of the economic order is being carried out under conditions of a further opening to the outside world. We must seize the rather favorable opportunity that the current international economic environment provides with regard to China, linking resolute pursuit of a strategy of coastal area economic development to improving the economic environment and rectifying the economic order, making full use of the city's advantages, continuing to develop an externally oriented economy, and maintaining the fine momentum in opening to the outside world.

Active development of foreign trade, expansion of exports, and increasing foreign exchange earnings. Close attention should be given to readjustment of the make up of export products. We should vigorously develop the export of products having great added value, that can be

produced at low cost to earn foreign exchange, and that have a high technological component. Specifically, electromechanical products such as electronic toys, automobile spare parts, household appliances, and mechanical equipment should be exported, the city rapidly forming a new hot selling products export system, more products of different kinds and in larger amounts joining international market competition. There should be a planned reduction or a halt to the export of products that incur high losses, have a low foreign exchange earning rate, use large amounts of materials, and consume high amounts of energy. We must use the city's workforce potential and technological advantages, actively develop the "use of imports to foster exports," and the "three forms of import processing and compensation trade," and strive to increase the percentage of products with "both ends abroad." Reform of the foreign trade system should continue, the contract management responsibility system for foreign exchange earning exports being perfected, the export agent system actively promoted, and all policies that encourage exports implemented. Foreign trade units should improve their administration and management, lower their various costs, improve international market research, steadily open new export channels, and take the initiative in serving production enterprises well. Producing units should strive to improve product quality and grade, increase varieties, sizes, colors, and designs, lower costs for earning foreign exchange, and insure on time deliveries to improve competitiveness.

Foreign capital should be put to use more rapidly. Specifically, close attention should be given to the good use of \$1 billion in earmarked funds, and World Bank loans. A good job should continue to be done in joint venture enterprises, active guidance given to enterprises that do not have enough work, do not have high returns, and whose products are backward, existing plant buildings, open areas and equipment put to use, and the "grafting" method used to assimilate foreign capital, technology, and management in an expansion of joint venture cooperation with foreign traders. Export enterprises may also employ partnerships and cooperative operation to hasten technical transformation and expand export channels. Foreign traders should be encouraged and induced to come to Tianjin to run more independent proprietorship enterprises. International project contract should be aggressively pursued, labor exports expanded, and tourism developed in an effort to increase non-trade foreign exchange income.

Expansion of the opening to the outside world depends on the investment climate to a very large extent. During the past several years, the municipal government has unflinchingly striven to improve urban functions, and the appearance of the entire city has undergone enormous changes. Very many improvements have also been made in the non-physical environment. We must continue to perfect rules and regulations affecting outsiders, accelerate the training of managerial talent for an externally oriented economy, and further improve the operating

efficiency of foreign investment service centers. We must continue to run economic and technical development centers well, making better use of the role of these windows on the outside world. Government and units at all levels as well as people throughout the city should further improve their awareness of the opening to the outside world, apply the standards of an internationally open city to their own employment, maintaining and improving Tianjin's fine image in the eyes of foreign investors.

Delegates, planned parenthood and control of population growth is a basic national policy, and it is also an important task in improving the economic environment and rectifying the economic order. On 4 April, the population of the Chinese mainland reached 1.1 billion. Tianjin's population stands at 8,392,000, double the 1949 figure. The task of controlling the city's total population at 9.5 million by the year 2000 is an extremely daunting one to which all society must devote a high degree of attention. Government and units concerned at all levels must link together control of overall social demand and control of population growth, genuinely strengthen leadership of planned parenthood work, completely enforce planned parenthood policies, continue to advocate late marriage and late childbirth, fine births and fine rearing, continue one child per married couple, resolutely halt births in excess of plan as well as early births and early childbearing, and genuinely improve population quality. At the same time, it is necessary to strictly control the movement of population into the city, strengthen controls over population flow, and effectively control population increase in the city and the countryside to provide a fine population environment for the four modernizations and comprehensive reform.

### **III. Forge Close Links With the Masses; Continue To Struggle Ahead in Unity**

Complete fulfillment of 1989's tasks requires that we make the most of our political advantages, consciously adhere to a basic line of thinking of "everything for the people and reliance on the people for everything," creating and developing under new conditions.

#### **A. Full Reliance on the Masses**

The cardinal point in doing a good job of improving the economic environment and rectifying the economic order is firm confidence in and reliance on the masses. All the actions we take in the course of improving the economic environment and rectifying the economic order, including economic, administrative, disciplinary, legal, and ideological ones, etc., cannot be genuinely implemented or have any real effect without the endorsement and support of the masses. All the various problems that we want to improve and rectify, whether economic problems, social problems, or political problems, are, in the final analysis, problems that affect the masses. The complaints of the masses, and the irritation of the masses are, in themselves, important matters to be

solved by improving the economic environment and rectifying the economic order. The large number of contradictions and numerous difficulties faced in improving the economic environment and rectifying the economic order cannot be readily overcome without the wisdom and strength of the masses.

During the past several years, leaders at all levels in Tianjin have scored achievements and made progress on the matter of believing in and relying on the masses. Nevertheless, they are still not sufficiently aware, nor has this reliance become a common practice. During 1989, we want to conduct a general re-education on the mass standpoint and the mass line, so that cadres at all levels profoundly realize that the masses constitute the main body of practice and perception, and that the practice of the masses in their hundreds of millions is the font of all knowledge and all wisdom. The masses are the creators of world history. Their will and their actions embody the thrust of historical development. The extent to which they take part and support determines the course of historical development. The masses are the masters in our socialist country. Wholeheartedly serving the people is a basic goal of our government. We want our cadres gradually to express this fundamental rationale in their own actual work, consciously respect the position of the masses as masters, straighten out who is servant and who is master, and genuinely come to hold the masses in their hearts, think of the masses when performing their duties, proceeding from the interests of the people in all things, and being responsible to the people in all things.

Governments and the broad masses of cadres at all levels should further study and master the basic work method of coming from the masses and going to the masses, focusing the correct views of the masses and going on. All major problems encountered in improving the economic environment and rectifying the economic order should be regularly passed along to the masses. The masses should be asked for their suggestions, and asked to think of ways of doing things, and for their ideas, our plans and policies then being decided and perfected on the basis of the desires and demands of the masses. We will steadily expand channels for direct contacts with the masses to enable the demands and the complaints of the masses to be promptly and smoothly reflected upward, the situation at the top being passed down, and the situation at the bottom being passed up in mutual communication for mutual understanding.

#### **B. Persevere in Doing Real Deeds for the People**

Doing real deeds for the people wholeheartedly, with all your might, and unflaggingly is both a fundamental duty of government at all levels, and also the key to winning mass endorsement and support. During the past several years, governments and units at all levels have done a host of real deeds for the masses. They have improved the people's livelihood remarkably, improved the city's functioning, and changed the face of the city. The broad masses are satisfied at this. Twenty deeds that the municipal government is to do in 1989 to improve the

life of city and countryside people are being actively organized for implementation. In doing a good job in doing real deeds during 1989, first, is the need to increase people's awareness about doing real deeds. In a fundamental sense, improving the economic environment and rectifying the economic order is synonymous with doing real deeds for the people. However, because of large curtailment of capital construction, and the strict control over consumption funds, doing real deeds has also come up against some new difficulties. Under these circumstances, the real deeds we do and the way of doing them will have to change as the situation develops. Nevertheless, the principle of doing real deeds and the determination to do them must be immutable. We must have a high sense of consciousness of serving the people wholeheartedly, expending more thought, and devoting greater effort to continue to do real deeds, and strive to do them better. Second is adherence to the principle of spending small amounts of money to do many deeds. During the past several years, Tianjin has stressed, "the people's city that the people built, dependence on the people to elevate the people." During 1989 we will have to pay even more attention to mobilizing all forces fully, continuing to organize compulsory labor of a mass nature, and stimulate the masses to take part in greening activities, road building, and such endeavors for the public good. In this way, not only can problems with financial and material resources be overcome, but more importantly, a democratic sense of the masses being the masters can be fostered, and the glorious feeling and sense of responsibility of being the masters in one's own house strengthened. Third is the need to continue to adhere to the method of "grasping the totality, and totally grasping." Attention should be directed to linking together the central tasks of doing real deeds and improving the economic environment and rectifying the economic order, to linking the deepening of reform to doing a good job of readjustment, to linking curtailment of expenditures with exhortations to hard work and thrift, to linking improvement of management to deriving benefit of existing public facilities, and to linking more building of spiritual civilization to correcting various bad situations. So long as we are adept at linking the doing of real deeds and doing a good job in every way, not only will we do a good job of doing real deeds, but we can give impetus to a deepening improvement of the economic environment and rectifying of the economic order.

### C. Enrichment of the Masses' Cultural Life

Peace and tranquillity in the world depends on the people being happy. Enriching the spiritual and cultural life of the masses plays an extremely important role in cultivating ideological values, inspiring a pioneering spirit, and harmonizing interpersonal relations. We should continue to strengthen this work in every way, creating a finer social and cultural environment to enable the farflung masses to devote themselves to improving the economic environment and rectifying the economic order and reform with full enthusiasm and copious energy. In literary and artistic work, we should continue to uphold an orientation of

"liangwei" [0357 3634], and a policy of "let a hundred flowers blossom, and a hundred schools of thought contend," striving to produce a number of outstanding works that are highly ideological and artistic, and that reflect the fervent life of construction and reform. We should fully use existing cultural positions and mass broadcasting media in the launching of a widespread, rich, and varied cultural and artistic campaign that takes many forms, constantly satisfying people's quest for ideological and cultural knowledge and their cultural need to love beauty and seek happiness. Next is the development of community culture, campus culture, military camp culture, and family culture. While respecting social morale rule and standards of public behavior, individual aspirations, likes, and pursuits should also be encouraged, places and conditions for the healthy maturation of individual bodies and minds provided. Rectification, control, and building of cultural markets should be increased, and attacks should continue against illegal publication and distribution. Reactionary, violent, and lewd reading material, and sound and video products should be resolutely stamped out. Physical education should be developed, a widespread mass physical fitness campaign launched, and emphasis placed on key projects and reserve strength to improve the level of the city's educational activities. Health and sanitation, medical treatment, and health care work should be improved, patriotic health campaigns continuing to be launched. A good job needs to be done in the prevention and treatment of outbreaks of illness; and food sanitation supervision and inspection should be intensified to prevent the spread of infectious diseases and improve the people's health. Environmental protection work should be intensified, pollution actively brought under control, and large scale afforestation work done to make the people's living environment neater, more comfortable, and more beautiful.

### D. Maintenance of a Fine Social Environment

Further strengthening of the city's public order to maintain a fine social order and a stable and harmonious situation is the common desire of people throughout the city. It is also an important requirement for doing a good job in improving the economic environment and rectifying the economic order, and in reform. Government at all levels, as well as public security units concerned, should firmly carry out a guiding policy of protecting the people's interests and relying on the people's strength, fully arousing the enthusiasm of the broad masses to safeguard the maintenance of public order. The city's successful experiences in recent years in creating and always adhering to a combination of the masses and professionals, everyone exercising supervision in common for comprehensive control should be diligently promoted, and new ways and means of relying on the masses should be tried out and put into action. The emphasis during 1989 should be on perfecting a mass prevention and control system in which grassroots level peace preservation committees are the main element, actions taken to build safe residential areas, safe villages, and safe units amplified. All special agencies should actively create conditions whereby more

of the masses can make suggestions and work in maintaining social order. Official systems for dealing with public order that can be disclosed to the public, the status of public order, and results of the investigation and disposition of cases having a rather large effect should be reported to the masses to win mass support and supervision. Education to popularize the law should be continued in order to increase people's concepts of the legal system, everyone knowing the law, obeying the law, consciously struggling against all actions in violation of the law, relying on the strength of the masses to form a veritable impregnable fortress. Special battles and special controls should be employed continuously to crack down quickly, though in accordance with the law, on criminal activities, to punish severely serious criminal economic activities, and maintain the appearance of "severe crackdowns" so that criminals will have no way to stir up trouble. In view of the present public order situation, the focus during 1989 is to be on attacks against serious criminals who commit murder, robbery, rape, and major acts of theft, with particular emphasis on various criminal groups that commit crimes and form gangs. They positively cannot be allowed to do as they please and get away with it. Continued work is to be done in banning and stamping out prostitution, whoring, the dissemination of licentious materials, gathering to gamble, and such evil behavior. Maintenance of public order in bustling districts, cultural and sports sites, stations, and piers is to be diligently restructured, making these places into windows that show the city's public order situation and the building of spiritual civilization. Safety is to be improved, the traffic order restructured, and potential fire hazards eliminated to prevent and reduce disastrous accidents. The public security forces should be further strengthened. The broad masses of public security cadres and police in Tianjin are devoted to duty and work hard. They have made an outstanding contribution to the consolidation and development of a peaceful and unified situation throughout the city. From their ranks have emerged some models of heroism. The sense of responsibility and the sense of honor of the broad masses of public security cadres and police should be bolstered; efforts should be made to improve their political and professional character. They should continue to enforce the law in a civilized manner and exhibit a revolutionary spirit of defiance of brute force, not fearing sacrifice, and fighting continuously, carrying out their sacred duty as "guardians of the people."

Building of the socialist legal system should be strengthened, local laws being drafted as circumstances warrant for submission to the municipal people's congress and its standing committee for consideration. Pertinent administrative regulations should be drawn up, the solemnity of government orders and legal decrees resolutely guarded to insure that laws will be relied on, laws will be strictly enforced, and violations of the law will be brought to book, gradually bringing all work under purview of the legal system.

#### **E. Diligent Building of Clean Government**

Maintenance of clean government has a direct bearing on the healthy development of reform and opening to the outside world, on smooth progress in improving the economic environment and rectifying the economic order, and on the image and prestige of government at all levels among the mass of the people. An overwhelming majority of working personnel in government at all levels in Tianjin administer government honestly, striving to work for the people. However, among some people, certain unhealthy tendencies, or even corruption, exist. We must pay a lot of attention to this, make improvement in clean government work an important task in building government, and pay genuinely close attention to it.

Both the CPC Central Committee and the State Council have formulated a series of regulations and methods pertaining to the building of clean government, which government at all levels throughout the city must enforce to the letter. Current emphasis should be given to the following several matters: First is diligent investigation and disposition of cases. Emphasis should be on investigation and disposition of corruption and bribe taking cases, blackmail and extortion cases, and all serious cases of misuse of authority for private gain. Also to be investigated and dealt with is indiscriminate handing out of money or property, the use of public funds to entertain and provide gifts, lavish eating and drinking, traveling around enjoying oneself, and such extravagances and waste. Bureaucracy, neglect of duty, and dereliction of duty among state workers, particularly leading cadres, is to be investigated and punished. Once the foregoing problems have been discovered, they are to be diligently investigated and handled, punishments being meted out for violations of government discipline, and criminal responsibility fixed for crimes. Second is a good job of education in clean government. All government workers, leading cadres at all levels foremost of all, should be made to understand the extreme importance of building clean government, and of adopting a spirit of high responsibility for the interests of the people, the great cause of the four modernizations, and the nation's future. They should work selflessly for the public interest, serve as models of honesty and uprightness in the exercise of government, and courageously struggle against unhealthy tendencies that contravene the interests of the people. Third is close attention to representative examples. Representative examples of violations of the law and discipline are to be brought to notice, and representative examples of advanced groups and individuals who have put deprivation before enjoyment, have been honest and upright, and who have devoted themselves wholeheartedly to the public good are to be vigorously commended. Experiences of advanced representative examples should be summarized and spread, the fine tradition of arduous struggle made to shine. Fourth is system improvement. Emphasis should be focused at the present time on the "two opens and the one supervision," i.e., a system of openness in handling matters, and openness about results in handling matters, with reliance on the masses for supervision. Government and functional units at all levels throughout the city should stress this point in building and

perfecting various rules and regulations to improve the degree of standardization in the handling of public matters, and to improve the transparency of government work. Work should begin with departments and units who handle matters directly for the masses and at the grassroots level, starting with those links where corruption can easily grow, attention directed to "hot spot" problems about which the masses object most and are most concerned, systems being set up and experience gained that can be gradually promoted. Also needed is further perfection of a mass reporting system, a good job done in heeding letters and visits from the public, organizing democratic evaluations of cadres by the masses, and opening more channels to hear complaints from the public, thereby placing government workers at all levels under supervision of the broad masses.

#### **F. Raising the Level of Leadership**

In the task of improving the economic environment and rectifying the economic order, leading cadres at all levels not only have to have a fine desire and fervent enthusiasm for serving the people, but must also have real ability and fairly high leadership qualifications in order to be able to serve the people, constantly making work more systematic, more principled, and more farsighted. First, they must improve their ability to carry out work creatively. They must resolutely maintain the authority of the CPC Central Committee and the State Council, and resolutely carry out the plans and policies of the central authorities. They must proceed from realities as they exist in Tianjin, and do their work creatively under the leadership of Marxist theory in order constantly to create new situations in all their endeavors and gain solid results. Second is the need to improve ability to analyze overall problems. When faced with numerous and complex situations, it is necessary to remain enthusiastic yet calm, and to work in an intense yet orderly way. One must nurture the habit of analyzing completely, improve ability to make comprehensive analyses, be adept at grasping main contradictions and special contradictions, and set up priorities for solving problems. Third is improvement of ability to control situations. Correctly controlling situations, maintaining stability in the overall situation, is a basic requirement in leadership work. One must be good at seeing political problems, and focusing on getting mass endorsement and support; when faced with interrelated contradictions and suddenly changing situations, one must also be able to judge the hour and size up the situation, and be resourceful and decisive. One must bear in the mind the overall situation, upholding the principle of the parts being subordinate to the totality. Even when partial interests have to be sacrificed for the time being, one should strive to maintain the stability of the overall situation. One must pay attention to the phasing, the synchronization, and the twists and turns of work, plan work carefully, seize opportunities, organize painstakingly, and consider contingencies, making early plans for everything. Fourth is increasing democratic decision making ability. In order to insure the scientificness and correctness of policies, more people must be brought into the decision making process. During 1989, we will

continue to turn over some important problems to the masses for open discussion, making decisions and carrying out actions on the basis of mass participation. Leading cadres at all levels should plumb realities, investigate and study, and become thoroughly familiar with firsthand materials. Research organizations should be organized and experts should investigate and validate, providing a theoretical basis and consultations for decision making. The views of old cadres should be heard, and they should be invited to make suggestions and propose avenues for thought. All democratic parties, industrial and commercial organizations, and such groups concerned, as well as patriotic personages having no party affiliation should be regularly kept informed and their views solicited, major issues being discussed in advance of policy decisions. Fifth is improvement in problem solving ability. Most important is keeping close watch on basic functions such as propagandizing the masses, mobilizing the masses, and organizing the masses, going among the masses regularly, understanding the feelings of the masses, listening to the views of the masses, focusing the wisdom of the masses, and mobilizing the power of the masses to translate all decisions into conscious mass action.

#### **G. Strengthening of Ideological and Political Work**

Ideology must be unified, spirit rallied, and forces concentrated in order to fulfill the task of improving the economic environment and rectifying the economic order, and deepening reform, as well as to unify and lead the masses to continue to advance. Government at all levels must consciously persevere in attention to the two civilizations, taking ideological and political work as our personal responsibility, and placing it in an important position. Education in three regards has to be stressed.

Education in awareness of being masters has to be conducted. The people as masters, participating in the management of social and economic endeavors from a socialist economic foundation in which public ownership is the centerpiece is the most basic distinction between socialism and capitalism. Thorough and painstaking ideological education and active yet circumspect building of democracy must be given to enable the masses to appreciate their own positions as masters, properly exercise their authority as masters, and genuinely perform their duties as masters. A spirit of bravely making contributions, correct handling of the relationship between personal interests and overall interests, and present interests versus long-term interests should be encouraged among the masses. They should be encouraged to take into account the country's overall situation, taking improvement of the economic environment and rectification of the economic order, as well as the building of reform, as their personal duty, actively offering suggestions, and exerting effort. They should be encouraged to care about spiritual civilization, transforming the subjective world as they transform the objective world in order to have ideals, morality, culture, and discipline.

Education should be conducted in arduous struggle. Ours is a large country with a large population and little accumulated wealth. It will take a fairly long time, and several



generations of arduous struggle for our country's economy and the people's standard of living to catch up with that of the developed countries of the world. Consequently, no matter whether development is going along smoothly, or whether difficulties have been encountered temporarily, the tradition of arduous struggle must be maintained throughout. The people should be made to understand the country's basic circumstances, and to adhere consciously to the principal of hard work and thrift in building the country, and doing everything through hard work and thrift. They should correctly understand the difficulties currently being faced, rally their spirits, persevere in the face of difficulties, and consciously share the country's burdens. They should correctly understand the correlation between improving living standards and developing production, and they should be mentally prepared to go through several lean years and not blindly seek an overly high level of consumption.

Education in the situation should be conducted. Education in the situation is already being conducted throughout the city, and remarkable results have been obtained. This should serve as a basis for deepening it. The present situation must be related to re-education in the basic line of the 13th Party Congress, the general policy of reform and opening to the outside world, and re-education in general policies, so that "one center and two basic points" permeates the thinking of all. The masses should be made to understand that achievements in reform must be affirmed. Without affirmation, it will be impossible to strengthen confidence. The direction of reform must be maintained. If it is not maintained, China has no way out. Problems encountered during reform must be faced squarely. Unless they are faced squarely, problems cannot be solved. Experiences in reform must be summarized. Unless they are summarized, true improvement is not possible. The principle of democratic equality and two way exchange must be put into practice, the masses allowed to speak for themselves, and everyone allowed to discuss things in common, everyone thereby becoming both a teacher and the taught. There should be unified understanding about presenting the facts and reasoning things out, mutual enlightenment, and independent thinking to see situations clearly, thereby increasing consciousness about improving the economic environment, rectifying the economic order, and deepening reform.

#### **H. Enhancing the Unity of the People Throughout the City**

In the course of 10 years of reform, Tianjin has made achievements that are evident to all. During the past several years, profound changes have occurred in Tianjin's work, Tianjin's position, and Tianjin's social situation, as well as in the image of the people of Tianjin. What is the reason for these enormous changes? What is their strength? What is their experience? They are the plans and policies of the central authorities; they are

vigorous assistance from all jurisdictions; and most fundamentally they are the awareness, the drive, and the wisdom of the Tianjin people. They are the concerted efforts and the unanimity of the Tianjin people. It should be said, that this is both a basic experience in work in Tianjin, and also a major indicator of the fine situation in Tianjin. Even more, it is a fundamental guarantee for good performance of all task during 1989 and in future years. Countless facts show that difficulties are not frightening. To overcome difficulties is to triumph. Problems are not frightening; to solve problems is to move ahead. Mistakes are not frightening. Summarization of experiences becomes a guide to success. What is frightening is not being of one mind, not moving along in the same direction, and not working together. So long as we do as we have done before, are of one heart and one mind, coalesce our strength, and unite, no difficulties can overwhelm us; they can only be overwhelmed by us.

We want to uphold and perfect the system of multiple party cooperation and the system of political consultation under leadership of the CPC, and vigorously strengthen unity with democratic parties and all patriotic personages.

We want to continue to develop ethnic relations of amity, equality and mutual assistance, and energetically strengthen unity among all fraternal nationalities throughout the city.

We want to carry forward the glorious tradition of support for the armed forces and preferential treatment to families of revolutionary military men and martyrs, actively support the modernization of the armed forces, and vigorously strengthen unity between the armed forces and the government, and between the armed forces and the citizenry.

We want to continue to maintain the practice of respect for the old and esteem for virtue, make better use of the role of old comrades, and vigorously enhance unity between old and new cadres.

We want always to maintain the goal of serving the people wholeheartedly, exerting ourselves to the utmost to do real deeds for the masses, and energetically strengthen unity between government at all levels and the broad masses of the people.

Delegates! Unity is life; unity is strength; unity is victory. So long as the whole city treasures unity from top to bottom under leadership of the Central Committee and the municipal CPC committee, stresses unity, and promotes unity through actions, our endeavors will certainly not fail, and Tianjin's every task will continue consistent advance.

Let us raise high the banner of struggling ahead in unity to win new and greater victories!